

# MAGNESITE

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## HEARINGS

BEFORE THE

## COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

SECOND SESSION

ON

## H. R. 5218

A BILL TO PROVIDE REVENUE FOR THE GOVERNMENT AND  
TO ESTABLISH AND MAINTAIN THE PRODUCTION OF  
MAGNESITE ORES AND THE MANUFACTURES  
THEREOF IN THE UNITED STATES

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JANUARY 13, 1920

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## PART 2

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# MAGNESITE.

TUESDAY, JANUARY 13, 1920.

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

The subcommittee met at 10 o'clock a. m., pursuant to call in room 312, Senate Office Building, for a further hearing on H. R. 5218, to provide a duty on magnesite ores and manufactures thereof, Senator James E. Watson (chairman) presiding.

Also present: Senators Curtis and Thomas.

Senator WATSON. We have met this morning in response to a request for a further hearing on H. R. 5218, an act to provide revenue for the Government and to establish and maintain the production of magnesite ores and manufactures thereof in the United States.

Who wishes to be heard first?

Mr. BAUMBACH. I would like to be heard.

Senator WATSON. All right. Give your name, whom you represent, and address to the reporter.

## STATEMENT OF MR. WILLIAM BAUMBACH, OF THE NATIONAL COMPOSITION FLOOR MANUFACTURERS AND THE AMERICAN MONOLITH CO., MILWAUKEE, WIS.

Mr. BAUMBACH. I would like to submit a brief or outline of our objections to this proposed tariff.

Senator WATSON. You may do so.

Mr. BAUMBACH. It is as follows:

### COMMITTEE OF MAGNESITE USERS OF THE CENTRAL STATES.

At a meeting of magnesite composition flooring and stucco manufacturers, attended by representatives of 15 manufacturers and users of magnesite from the States of Wisconsin, Illinois, and Ohio, held at the Insurance Exchange Building, Chicago, January 2, 1920, called for the purpose of discussing the magnesite bill, known as H. R. 5218, and which seems to have passed the House of Representatives, imposing a duty of \$15 and \$10 per ton on magnesite.

At the meeting it was unanimously agreed that our industries should use every effort possible to prevent the passage of this bill in its present form, for the reason that it would deal a destructive blow to our industry.

For the purpose of bringing our case to the attention of your committee it was decided to send one, or, if possible, more members of the Western group of our industry to Washington to bring the fact of our opposition to this proposed legislation to the attention of your committee and of the members of the Senate.

We herein state a few of the obvious reasons for our objection to this legislation:

1. *Source of supply inadequate.*—During the period of the war we have been cut off from the import supply of magnesite, and the California source has been found entirely inadequate to supply the demand.

2. *This bill will be a tax on the building industry.*—The proposed tariff will be a tax on the building industry, as magnesite is a material which is extensively used as an interior flooring and an exterior stucco, and we do not believe that it is the intention of the Government to pass legislation that will make building during this period of reconstruction more expensive.

3. *Manufacture of magnesite.*—The manufacturing of magnesite simply consists of its calcination, grinding, and packing—very similar to the preparation necessary for marketing lime. If our supply of lime were as inadequate as our supply of magnesite, would it not be unreasonable to put a tariff on it, particularly if it can be obtained cheaper and more convenient from other sources?

4. *Magnesite commandeered by the Allies.*—One of the first articles to be commandeered by the Allies for their exclusive use during the war was the entire supply of Grecian magnesite, and during this period the United States found domestic supply very necessary.

5. *The magnesite industry.*—Is it the intention of the Government to protect the small industry at the expense of the large one? It takes more than 100 men to use up and install the magnesite produced by one man in a mine and calcining plant. One ton of magnesite will produce 2,000 feet of composition flooring and double this quantity of surface in stucco, and the application of 1 ton of magnesite in this manner offers employment to 15 men for 1 day, and it is obvious that a production of this ton of magnesite would not require more than a fraction of one man's time at the mine and calcining plant.

6. *Location of deposits.*—Referring to the report of the Geological Survey published in September, 1919, it appears that the location of the magnesite deposits in California is distributed over a large territory and entirely inconveniently located to points of manufacture, shipment, and principal markets of consumption.

7. *Cost of production.*—Does it not seem unreasonable that the Grecian producers of magnesite were able to produce magnesite in Greece, transport it to the vessel, thence across the ocean to an American seaport, and across to our continent and offer it at a lower price than the California producers claim they can sell it? Why should the Government impose a tariff on a raw material when it can be secured at a much lower price from other sources?

8. *Crystalline magnesite.*—We take note that the principal proponents of this tariff are the owners of the Washington crystalline magnesite deposits, which material has never been found usable for building purposes, nor has any of it been prepared or offered for this purpose; our only source of supply having been the California, or amorphous formation deposits, and while investigations are now being made for adapting the crystalline formation to building uses, these investigations have not been far enough advanced to make us feel that this so claimed unlimited supply will ever be available for building purposes.

9. *Housing and reconstruction.*—The housing problem and the reconstruction problem at the present time is a serious one, and we do not believe it is the intention of the Government to do anything that will tend to make building more expensive than it is at the present time. Among competitive materials for the purposes of flooring and stucco magnesite composition flooring and composition stucco is among the cheapest materials on the market to-day.

10. *Construction of transportation facilities.*—In the reconstruction of our railroad facilities and the increase of tonnage of our merchant marine, both of which are now using steel constructed cars and boats, in all of which construction the composition flooring has become a necessity as a substitute for wood and other material. Why increase the cost of this material?

11. *Refractory magnesite.*—While we are aware that the principal users of magnesite at the present time are the refractory interests and the steel industry, we call attention to the fact that with the increasing scarcity of lumber and the increased demand for more fireproof and sanitary construction will increase the demand for magnesite for building purposes very rapidly. The principal proponents of this measure are endeavoring to protect the Washington deposits of crystalline magnesite, which have not proven satisfactory, but this should not be done at the expense of the building industry.

12. *Report of Geological Survey.*—Referring to report of Geological Survey on Mineral Resources in the United States, published in September, 1919, would call attention to the wide distribution of magnesite deposit and the limited facilities for calcining and distribution to the principal markets.

13. *A raw material.*—If this tariff is imposed it will be principally a tax on a raw material of which the United States has a decidedly limited supply and which will be eminently useful whenever we are cut off from outside sources, as was the case during the recent war. Why use up our limited supply of raw material?

14. *Cost.*—We can not see why the domestic magnesite producers should not be able to give us material as cheap as it can be given to us by producers in the east end of the Mediterranean Sea, particularly if these producers are obliged to use two hauls by water and an equal haul by rail, including a number of transfers in shipment.

For these reasons, the undersigned users of magnesite for building purposes object to the imposition of the unnecessary tariff as proposed in bill H. R. 5218:

Williams Wendt Co., 118 North La Salle Street, Chicago, Ill.; Wisconsin Lime & Cement Co., Chamber of Commerce, Chicago, Ill.; Construction Materials Co., 133 West Washington Street, Chicago, Ill.; Francis Djourup, Chamber of Commerce Building, Chicago, Ill.; Acme Asbestos Covering & Supply Co., 1346 West Kinzie Street, Chicago, Ill.; Copperstone Flooring Co., Toledo, Ohio; Flooring Specialties Co., 175 West Jackson Boulevard, Chicago, Ill.; Franklin R. Muller Co., Waukegan, Ill.; The Flexotile Floor Co., Rockford, Ill.; Velvetile Floor Co., 175 Jackson Boulevard, Chicago, Ill.; Composition Flooring Co., 616 West Van Buren Street, Chicago, Ill.; American Monolith Co., 2220 Lisbon Avenue, Milwaukee, Wis.; Synstone Corporation, Peoria, Ill.; E. N. Bigler Manufacturing Co., 2730 North Rockwell Street, Chicago, Ill.

Mr. BAUMBACH. I would like to give a little explanation of it?

Senator WATSON. You may do so.

Mr. BAUMBACH. It seems that in the hearings that have been held before the Ways and Means Committee of the House and by this Subcommittee of the Senate, the two magnesites, what we know as the Austrian or red magnesites, and amorphous or white magnesites, found in Greece and California, are put under one head. The gentlemen who are with me and who are the most of the gentlemen sitting over in the corner of the room and are Chicago manufacturers whom I have been asked to represent at this hearing, are all interested in magnesite for building purposes, for putting in floors and putting stucco on houses. We desire to put on the market a building material that is cheap and that is available for the uses for which we sell it.

Senator WATSON. Do you use magnesite for building purposes?

Mr. BAUMBACH. Yes, sir; magnesite is used for putting floors in residences and for putting on outside stucco—the one-piece casing on houses.

Senator WATSON. Is there any difference between the magnesite produced in California and Washington and that produced in Austria for this purpose?

Mr. BAUMBACH. Yes, sir.

Senator WATSON. For building purposes?

Mr. BAUMBACH. The Austrian and Washington magnesites, which is called crystalline or red magnesite, never have been found adaptable for our purpose. The Washington people have stated that they are going to produce a magnesite, and I believe eventually they will, usable for that purpose. Heretofore we have never used the Austrian magnesite, which is the only one on the market, for that purpose. During the war the Washington people were furnishing magnesite to the steel industry. Now, I would like to draw a distinction between these two magnesites, the one that we use and the other: Ours has

been put down as being a 10 per cent concern, the one that uses only 10 per cent of the magnesite that is imported. We are using it for a different purpose than the great bulk is used, that the steel industry uses, but we consider our industry also important, because it is a growing industry, and it has been growing enormously.

Senator WATSON. How long have you been using magnesite for that purpose?

Mr. BAUMBACH. Around 20 years. It has been used for flooring. We have had our uphill fight, because we have been obliged to solve problems affecting our material, the same as the cement industry had difficulty getting cement for their construction. We have had the same difficulty.

Senator WATSON. How much did you use last year, or say, the year before, or the last year before the war, for that purpose?

Mr. BAUMBACH. Well, before the war, I believe the industry used in the neighborhood of 75,000 tons of calcined magnesite.

Senator WATSON. And you got it all from Austria?

Mr. BAUMBACH. No; we got it all from Greece.

Senator CURTIS. What did it cost you a ton laid down in Milwaukee?

Mr. BAUMBACH. Our cost in Milwaukee was dependent on the market and varied from \$25 to \$35 a ton.

Senator CURTIS. From whom did you buy?

Mr. BAUMBACH. From import brokers in New York, and some was brought direct from Rotterdam or Hamburg.

Senator CURTIS. The most of it was gotten from importers?

Mr. BAUMBACH. Yes.

Senator CURTIS. What does that same article cost you here—the California product?

Mr. BAUMBACH. At the present time California magnesite is costing us \$60 a ton on up. They have raised the price on us a little; that is, that includes freight to Milwaukee, and the price at Chicago is the same.

Senator CURTIS. Freight rates would be about the same from California points, wouldn't they?

Mr. BAUMBACH. Somewhere around \$12.80 a ton, I think.

Senator CURTIS. You get yours from California?

Mr. BAUMBACH. We at the present get it from California, but we can not get all we want. At the present time we can not get our other material.

Senator CURTIS. The duty, according to the statement, on the articles you use is 10 per cent; that is ad valorem, isn't it?

Mr. BAUMBACH. We have no duty on ours.

Senator CURTIS. That this bill proposes, did I understand you to say?

Mr. BAUMBACH. No; I say in the former hearings they said of the magnesite that was imported the steel industry used 90 per cent, and we only used 10 per cent.

Senator CURTIS. Oh, I understood you to say 10 per cent duty.

Mr. BAUMBACH. No; I wanted to impress upon the committee that the fact that we use, I believe, a little better than 10 per cent of the importation of magnesite, or of all production of magnesite, in an important industry, and which is growing enormously, is a matter of importance. The statement that we only use about 10 per cent of the magnesite might be construed as a lack of importance of our industry.

Senator WATSON. What do you mean by that? You do not mean of the total production of the world? Do you mean 10 per cent of the production of the United States?

Mr. BAUMBACH. Of what the United States uses. I do not know what foreign countries use.

Senator CURTIS. The articles that you use come under the second paragraph of the bill, which is—

2. Magnesite, calcined, dead burned, and grain, three-fourths of a cent per pound.

Mr. BAUMBACH. Calcined magnesite, \$15 a ton. The first item is raw magnesite, and that affects us most because that means 1 cent a pound, for the reason that it takes 2 pounds of raw magnesite to make 1 pound of what we use. It has to be calcined, and that process reduces the weight one-half.

Senator WATSON. Of course you will have none soon from Austria or Greece either?

Mr. BAUMBACH. None. We have been trying to find out whether we were going to be able to get some for the reason that it has been better calcined and more reliable in uniformity. The California deposits are distributed over a wide territory, and they are of different chemical consistency. Some of them contain a large percentage of silica and some no silica. Some contain a large percentage of lime and others no lime; and the forms of California magnesite are such that it is not like the Grecian, which is uniform, practically, in its consistency.

Senator WATSON. You have no idea what it will cost you to buy it in Greece now?

Mr. BAUMBACH. We have no idea. I have a letter from Athens in response to a request I made for information about a year after the war started to find out whether there was a possibility of our getting any at that time and because we then had no source of supply, and I was sent some quotations. I believe some New York people have quotations on importations that are going to be made.

Senator CURTIS. Keene cement is not hard enough for your work?

Mr. BAUMBACH. It is too hard. We want the resiliency of magnesite; cement has the feature of not being resilient. It is the only material that can be successfully used for the flooring of steel passenger cars. All steel passenger cars being built to-day practically have magnesite floors. In the Navy the steel boats built for the Government, as well as those built outside for commercial purposes, use it. It is used for the flooring of steel vessels because its resiliency prevents cracking. It has resiliency enough not to crack and break like Portland cement will.

Senator CURTIS. I did not say Portland cement, but Keene cement.

Mr. BAUMBACH. Keene is a white cement.

Senator CURTIS. It is a cement, but is supposed to be of a different quality?

Mr. BAUMBACH. Yes. It has more lime in it; it is more of a lime cement.

Senator CURTIS. Have you any idea what they pay labor over in Greece, where you get your product?

Mr. BAUMBACH. Well, the labor item increase enters into the cost of material simply in the taking of it out of the mountains and

hauling it down to the vessel and putting it into the vessel. The most of the labor supplied in Holland and Germany, where it is calcined for our purposes. Lack of fuel in Greece makes it inconvenient to calcine it all down there.

Senator CURTIS. You have no information as to the present wage in the calcine work in Germany or in any other countries, of course?

Mr. BAUMBACH. I have absolutely no information of whether they are ever going to be able to calcine magnesite for us. We figure that we will have to import our magnesite and get it where we can get it cheapest, and calcine it in this country in the right manner so as to get the proper material.

Senator WATSON. In other words, you have been buying your product in Greece and having it shipped over to Germany or to Holland where it had been calcined?

Mr. BAUMBACH. That has been done by others.

Senator WATSON. And you bought it after it had already been calcined and then shipped it to the United States?

Mr. BAUMBACH. Shipped it all over the United States to the different concerns manufacturing composition material.

Senator WATSON. You have been using that you say for white stucco?

Mr. BAUMBACH. We have been using it for stucco and for floor surfaces.

Senator WATSON. Which way do you use the most of it?

Mr. BAUMBACH. Heretofore the principal industry has been the flooring industry. Stucco has been starting up in the last few years, because there has been a fad of building houses with the exterior built in one piece. The fad of building houses runs in streaks; formerly everybody wanted a brick house or a house built of stone, or something else.

Senator WATSON. Is that the only way this white stucco can be made?

Mr. BAUMBACH. It can only be made of magnesite and stand outside conditions. You can make stucco out of Portland cement, but it has not got the glossy appearance and the white effect that is desired by architects; and it has not become as popular. Stucco did not become popular until these magnesite fellows got the nice white stucco, and got nice pebble dash on it, and all those features. That is a very popular form of construction in the West, in the country where I come from. I do not know about the East, as I have not been around out here much. But I know that they sell a good deal of it.

Senator WATSON. That quality of stucco is not produced in Washington?

Mr. BAUMBACH. No.

Senator WATSON. But in California?

Mr. BAUMBACH. Yes. Because they want as white a stucco as they can get. It has been produced in California, and formerly in Greece.

Senator WATSON. Neither is that quality produced in Austria?

Mr. BAUMBACH. No. Austrian magnesite is redder and darker in color than Washington magnesite, which contains a percentage of iron which makes it particularly adaptable for refractory purposes.

Senator WATSON. You say the consumption of magnesite for flooring, stucco, etc., before the war was about 25,000 tons?

**Mr. BAUMBACH.** Before the war; yes, sir; up as long as we could get it. And it is practically up to that now on the California production at the high prices we are paying.

**Senator THOMAS.** How much higher are your prices at the present, as compared with prewar prices?

**Mr. BAUMBACH.** More than double, and it reduces our field. We used to be pretty near the price of a hardwood floor with our composition flooring, and we could compete with hardwood flooring. People preferred it because it was jointless and more sanitary. We want to see a production that will permit the small householder to use it in his kitchen and bathroom, and so it may be used in schools and hospitals, where they want sanitary floors.

**Senator WATSON.** Do you know whether or not they are producing enough magnesite of this particular quality in California to supply the demand?

**Mr. BAUMBACH.** We have not been able to fill orders promptly, and every time there is more demand than there are orders the price goes up. A lot of fellows have taken contracts, thinking they could get magnesite at a cheap price, and they are up against it when they find they can not get it unless they pay the advance. Formerly we could figure within a couple of dollars of the price in taking contracts for future fulfillment.

**Senator THOMAS.** Has the war stopped the Grecian supply completely?

**Mr. BAUMBACH.** Completely. It is one of the first materials the British commandeered, because they controlled the Grecian deposits.

**Senator THOMAS.** I know, but has it been revived since the armistice?

**Mr. BAUMBACH.** They have not any shipping facilities, it seems, and they have no labor with which to put it into production in Greece. And the Hamburg and Rotterdam calciners have not been in business.

**Senator THOMAS.** The California production is the only source of supply at the present?

**Mr. BAUMBACH.** Yes; and it will be, as I see it now, for several years to come. For several years I believe we will have to pay just exactly what the people charge us for it out there.

**Senator WATSON.** If that is likely to be the case for several years, why are you particularly interested in the tariff question? There will be no imports from abroad anyhow for several years, according to your statement.

**Mr. BAUMBACH.** We are looking at the future of our business. We do not want to give these people a chance to charge us the tariff in addition to what they can get out of it.

**Senator THOMAS.** In other words, you think you are paying enough now?

**Mr. BAUMBACH.** Yes; we are paying plenty of money for it. Another thing is that that supply in California, as our Geological Survey shows, and as previous hearings by the Government departments disclosed, indicate that the supply is only sufficient for 25 years in this country. Why use that up? We may have another war some day, and we may be placed in the same condition as before.

**Senator THOMAS.** We will not have another war under the league of nations, will we?

Mr. BAUMBACH. Well, will we have that?

Senator THOMAS. Don't ask us that conundrum.

Mr. BAUMBACH. I want to say that you can not get that thing settled any too soon for us in our line of business.

Senator WATSON. Is that all you have to say?

Mr. BAUMBACH. Yes; except what is stated in my brief, here.

Senator THOMAS. Does your brief contain a relative statement of prices, prewar and at the present time?

Mr. BAUMBACH. It will be given here by others.

Senator THOMAS. All right.

We will now hear the next witness.

**STATEMENT OF MR. ROBERT W. PAGE, PRESIDENT OF THE  
MARBLEOID CO., NEW YORK CITY.**

Mr. PAGE. On behalf of the New York oxy-chloride manufacturers I want to present to the committee, first, this brief which we have prepared:

NEW YORK, January 9, 1920.

HON. JAMES E. WATSON,

*Chairman Subcommittee of Finance Committee,  
United States Senate, Washington, D. C.*

DEAR SIR: As a committee of American oxychloride cement manufacturers, appointed for the purpose at a recently-held meeting in the City of New York, we desire, through you respectfully to present to your committee our protest against the enactment of House Bill No. 5218, levying a tariff of \$15 per ton on calcined or caustic magnesite. A reading of the testimony taken before the Committee on Ways and Means and thus far taken before your committee reveals the fact that until now the discussion has related almost exclusively to the tariff situation as it applies to dead burned magnesite used for refractory purposes in the manufacture of steel, copper and other metals. Attention thus far does not appear to have been directed to the fact that there is another already important and rapidly growing industry which is vitally affected by the proposed legislation.

We and our associates are manufacturers of oxychloride cement, a composition used for flooring, walls, stucco, insulation blocks, pipe covering, decks of ships, and like purposes, there being in the United States approximately 200 concerns engaged in this business, employing in the neighborhood of 7,500 men. Our industry was started in the United States about 20 years ago and after the surmounting of many obstacles and struggling through vicissitudes of a most serious nature has finally reached the point where our product has become recognized as an essential building material of special value for its sanitary and fireproof qualities and our industry has become established as an important and rapidly growing element in the building trade. Having reached this point after years of struggle, we now suddenly find the very life of the oxychloride cement industry threatened by the enactment of the proposed bill, and we desire sincerely, emphatically and earnestly to ask your attentive consideration of our case for the reason that it is our belief that upon your determination depends the existence or the destruction of all that we and our associates have succeeded in building up and establishing.

At the time this bill was being considered by the Ways and Means Committee (July, 1919), it was stated that but 10 per cent of the magnesite mined in the United States was calcined for the caustic trade. We desire to call the attention of your committee to the fact that with the revival of building operations, the volume of business of the oxychloride manufacturers increased so enormously during the latter half of the year 1919 that the domestic producers, in many instances, were unable to supply the calcined magnesite fast enough to enable the manufacturers to fill orders. The present rate of consumption is probably 50,000 tons crude per year and the outlook for the year 1920 is such as to indicate that this rate will be far exceeded, provided that present prices are not materially advanced. It is reasonable to assume that in a very short period of time the consumption of caustic burned magnesite will equal

that of dead burned, provided that the industry is not restricted by the levying of a tariff.

The lightly calcined or caustic magnesite used in our industry should be distinguished from the so-called dead burned magnesite used for refractory purposes. Crude magnesite is calcined to produce one of two commercial products, namely, "dead burned" magnesite, used in the metallurgical processes and lightly calcined "caustic" or "calcined" magnesite, used by the oxychloride cement manufacturers in modern building. The calcination of the chemically active "caustic" magnesite can be carried out at a much lower temperature than that used to produce dead burned magnesite and to the consumer of the caustic magnesite this is a highly important operation, for upon the proper calcination depends the chemical activity of the material, that is, its ability to combine chemically with magnesium and chloride solution so as to form the hard, tough, elastic mass known as oxychloride cement.

The magnesite used in our industry is of an amorphous nature and prior to the war came almost entirely from the deposits in Greece and Venezuela. When these importations were cut off by the war, the magnesite used by the caustic trade was mined in California or in the island of Santa Margherita, in Lower California, Mexico, where the magnesite deposits are similar in character to those of Greece and Venezuela. The deposits in the State of Washington occur in the crystalline form and except for somewhat lower iron content resemble the deposits of Austria. The Washington deposits have not furnished calcined caustic magnesite for the oxychloride trade, and the commercial value of the Washington material for our purposes has not yet been demonstrated. It is possible that by the installation of specially constructed calcining plants caustic magnesite may be produced from these crystalline deposits. Nevertheless, its use in the oxychloride trade will be limited owing to the unusually dark color of the Washington material due to the combination of chemicals found therein, while it is essential that much of the material used in the oxychloride trade shall be pure white. We therefore desire to emphasize the fact that in the event of the passage of the proposed act the oxychloride manufacturers will become dependent for their supply upon the California producers alone, whose production, as is hereinafter pointed out, is now insufficient both in quantity and quality to meet the requirements of our business.

We oppose the granting of a tariff of \$15 per ton on the caustic calcined magnesite upon the following grounds:

First. That it jeopardizes the future of the oxychloride industry.

Composition flooring and magnesite stucco are of particular value in the building industry in that they furnish a cement product which is fireproof, resilient, and exceedingly durable. These products show far less tendency to crack or dust than do Portland cement mixtures, and they possess from two to three times the tensile strength of the latter. Oxychloride cement products are unique in that they can be applied directly over wood in relatively thin layers—a feature which is of great value in the economical remodeling of old structures.

Oxychloride cement products are thus brought into competition with Portland cement mixtures and it will be readily seen that any increase over the present high cost of raw materials will seriously affect, if it will not destroy the future of this industry. Even at present prices the oxychloride cement manufacturer finds it difficult to secure a fair profit as his selling prices are already high in proportion to those of competitive building materials. That the costs of his raw materials have tremendously advanced is demonstrated by the fact that the prewar price at the Atlantic seaboard was \$25 per ton for calcined magnesite and \$16 per ton for magnesium chloride—the two essential raw materials—while to-day these prices are \$60 per ton for the magnesite (none of which is imported) and \$45 per ton for the chloride, an advance of 240 per cent and 280 per cent, respectively.

Second. That it is wholly unnecessary for the protection of American industry.

The present lowest price of ground California caustic magnesite at the Atlantic seaboard is \$60 per ton.

The present quotation on ground Grecian caustic magnesite on a 100-ton shipment due to arrive in February is \$75 per ton. It is therefore plain that California caustic magnesite can now be delivered without a tariff at the Atlantic seaboard at \$15 a ton less than the Grecian material.

The average cost of calcined magnesite to the domestic miners as given in the sworn costs filed by them is \$25.13. Adding \$3 for the cost of grinding freshly calcined magnesite, we have a cost of \$28.13 for the ground material

at the mine. Adding the freight to the Atlantic seaboard—\$16.07—we arrive at the cost of the ground material at the Atlantic coast, or \$44.20. Subtracting this cost (\$44.20) from the selling price of \$60, we reach a profit to the domestic miner of \$15.80 a ton, which is equivalent to a profit of 56 per cent upon its cost at the mine of \$28.13.

Subtracting the cost of the domestic material at the Atlantic seaboard (\$44.20) from the present quotation upon the Greclan product (\$75) we have \$30.80 as the possible profit that the domestic miner may at the present time receive before he is brought into price competition with the foreign product. Such a profit is equivalent to 109 per cent on the cost at the mine of \$28.13.

The above figures apply to the Atlantic seaboard and it is of essential importance to have in mind that the differential in favor of the American miner increases at inland points.

The Chicago district is the largest market for caustic magnesite. The freight rate on calcined magnesite from the Pacific coast to Chicago is \$12.87 and from the Atlantic coast to Chicago is \$7.50 per ton. The figures for Chicago are therefore as follows:

Price, ground Greclan caustic magnesite, Chicago (based on present quotations) .....	\$82.50
Present price, domestic ground caustic magnesite, Chicago.....	57.87
Advantage of domestic over Greclan in Chicago.....	24.63
Average cost, calcined magnesite to domestic miner.....	28.13
Add freight Pacific coast to Chicago.....	12.87
Cost, domestic, at Chicago (ground).....	41.00
Present price, ground Greclan caustic magnesite, Chicago.....	82.50
Subtract cost domestic ground caustic magnesite, Chicago.....	41.00
Profit which it is possible for the domestic miner to ask before he is brought into price competition with the foreign product.....	41.50

This possible profit is equivalent to 147 per cent, based on the miners' cost at the mine—\$28.13.

If the proposed tariff of \$15 per ton is imposed, then the Greclan material would cost \$90 at the Atlantic seaboard and \$97.50 at Chicago, based upon present quotations. In this case the domestic miner would be in a position to secure a profit of \$45.80, Atlantic seaboard, or \$56.50, at Chicago, equivalent to a percentage of profit—based on cost at mine (\$28.13)—of 162 per cent and 200 per cent, respectively.

There is nothing in the present outlook which indicates a change in this comparative situation. Practically no calcined magnesite has been produced in Greece since 1915, owing to the lack of coal for the calcinating process. We are informed that the present quotation of coal in Greece is \$100 a ton and we have no information which justifies the belief that an improvement in labor conditions can be predicted within the definite future. If lower costs come in Europe, it will undoubtedly be a part of a world-wide movement which will have its reflection in the United States. In any event, we respectfully and confidently submit that the judgment of your committee in a matter of such vital importance must be based upon conditions as they now exist and not upon conjecture or speculation with respect to the future of Europe, which no man can reasonably or intelligently foresee. This much may certainly be said: That with the possible profit at present as high as 109 per cent, New York, and 147 per cent, Chicago, before coming into competition with the imported material, the domestic producers do not now and will not in the definite future need a tariff for the protection of their industry. The question, therefore, is not whether the California producers of magnesite shall be protected, but rather whether the business of the American manufacturers of oxychloride products shall be destroyed solely for the purpose of increasing the already inordinate profit of the California producers.

Third. That the California producers will not be able adequately to supply the demand for caustic magnesite.

This condition has already existed for the past few months and, in the face of future requirements of the oxychloride trade, it will rapidly grow more

acute, providing that our further growth is not to be restricted by the enactment of the proposed tariff.

Caustic magnesite used by our industry at present is principally supplied from five deposits—Santa Margherita, Porterville, Tulare, Sonoma, and West-ern. One of these, Santa Margherita, will be eliminated if this tariff is imposed, as it is situated within the boundaries of Mexico. Of the remaining four deposits, all located in California, that of the Western Mining & Development Co. located near Livermore is suspended during the rainy season for from three to four months, owing to the impassability of the roads.

The oxychloride trade requires a white calcined magnesite, and in order to meet this requirement it has been the custom of the California miner to hand select the ore for the caustic calcination. When he found it difficult to keep pace with the demand during the fall of 1919, he was compelled to abandon this practice and take the run of the mine, with the result that his product is no longer of a good white color but runs quite dark. In order to secure the hand-selected, high-grade white material the consumer is now asked to pay an additional premium of \$10 per ton.

The present inadequacy of the California production is not a temporary condition. For about four years the California producers have had a monopoly of the domestic market identical with that which would be secured for them by the proposed tariff, excepting that the importations which have been received from Mexico would be excluded. There has been ample opportunity and incentive of profit to build up an industry which would fully and satisfactorily meet the requirements of the market. This, however, has not been done, and in our judgment can not be done in the future, and it may not be assumed that after the enactment of a prohibitive tariff the California producers will accomplish that which they have failed to do during a period of four years, during which they have had the entire market to themselves.

Fourth. That the limited supply of amorphous or white magnesite in this country should not be depleted.

Dead burned magnesite used by the steel industry was not the only magnesite essential to meet the war emergency. During this entire period the Government used enormous quantities both of composition flooring and magnesite stucco. The flooring, because of its fitness for application over the rough wooden foundations, and the stucco, because of its nonfreezing quality permitting its application during the winter months, were important factors in the rapid completion of Government building operations. These materials were considered of such importance to the Government in the winning of the war that the Building Materials Section of the War Industries Board devoted considerable time to consulting with the manufacturers in the formulating of standard Government specifications to cover the use of these materials.

The only available deposits of amorphous magnesite are in the State of California, and these deposits, so far as is demonstrated by development, are not large. As it has never yet been demonstrated that a satisfactory caustic magnesite can be produced from the crystalline variety produced in Washington, it seems wise to conserve the California supply for the oxychloride products which have demonstrated their value in time of war.

Fifth. That the quality of the domestic caustic product produced to date, we regret to acknowledge, is not equal to the Grecian or Venezuelan previously imported.

The quality or efficiency of caustic magnesite is not determined by chemical analysis. A mixture of dead burned and crude magnesite may equal in analysis that of a very excellent high-grade caustic magnesite, and yet such a mixture would be absolutely inert chemically and valueless for use in oxychloride cement. The value of the material for such use is entirely dependent upon the percentage of active oxide of magnesium it carries and this in turn is dependent upon the skill and efficiency used in the calcination.

As previously stated, the calcination of caustic magnesite requires great skill and technical knowledge, and the western producers have not given this matter sufficient study to produce a standard product that will give constant and uniform results.

Not until the domestic producer is brought into competition with the more skillfully calcined imported material will there be any hope for the improvement of the domestic product by means of a more careful and scientific process of calcination.

It is a lack of knowledge or perhaps indifference on the part of the domestic producer in his calcination for caustic magnesite that has caused every oxy-

chloride manufacturer much financial loss in his past use of the domestic material.

That the superiority of the Grecian magnesite is recognized by the users of composition flooring and stucco is shown by the fact that upon certain Government operations Grecian magnesite was specified and the domestic product excluded.

Sixth. That the present high prices which must be asked for composition flooring, magnesite stucco, etc., yield a relatively small percentage of profit, and these prices can not be materially advanced in the face of the present prices of competitive building materials.

Seventh. That legislation tending to increase the cost of building materials is unfortunate and untimely when economy in building operations and the lowering of their cost is a vital national necessity.

Eight. That the contemplated tariff will tend to establish a monopoly.

This is indicated by the fact that at the present time, when there are no importations of foreign magnesite, the prices of the domestic material are very uniformly maintained. Whether or not this is due to the existence of the so-called Western Magnesite Association we are unable to state. The existence of this association and the uniformity of the charges existing between the various producers must speak for themselves. The effect of such legislation, if enacted, may be judged by the fact that from the moment that the passage of the bill by the House of Representatives was assured the price was raised by the California producers. If the condition created by the war is made permanent by the enactment of the proposed prohibitive tariff bill, our industry will be dependent upon a supply which has been demonstrated to be inadequate during a period of four years of absolute control of the market, the price and the quality of the material to be delivered will be fixed at will by the California producers, and the fate of our industry will be wholly in their hands.

In conclusion, we respectfully and earnestly ask that caustic burned magnesite be entirely eliminated from the field of this legislation.

Respectfully submitted,

THE COMMITTEE OF MAGNESITE CONSUMERS,  
ROBERT W. PAGE,

*President Marbleoid Co., 47 West Thirty-fourth Street.*

SAMUEL JAROS,

*President General Kompolite Co., 325 Borden Avenue,*

*Long Island City, N. Y.*

A. M. HALL,

*President American Materials Co., 103 Park Avenue.*

ROBERT C. BURNSIDE,

*President Asbestolith Manufacturing Co., 1 Madison Avenue.*

JOHN F. SHANLEY,

*President Special Service Flooring Corporation,*

*Grand Central Terminal.*

RONALD TAYLOR,

*Ronald Taylor Co., 520 East Twentieth Street.*

Mr. PAGE. As a manufacturer of composition flooring for the past 15 years, and as the representative of 9 oxychloride manufacturers, I desire to enter my emphatic protest against a tariff of \$15 per ton on calcined or caustic magnesite—that is, being applied to the amorphous variety that the oxychloride-cement manufacturers use, and such as occurs in California.

Senator THOMAS. Is your objection to the amount of the tariff?

Mr. PAGE. Yes, sir.

Senator THOMAS. I notice you emphasize \$15 a ton.

Mr. PAGE. Yes, sir. We object to that for the reason—first, I should like to say we consider it to be a great injustice to our trade—

Senator WATSON (interposing). What is your trade? Describe that, and how you use magnesite.

Mr. PAGE. First, there are two phases to the production of calcined magnesite. One is dead-burned magnesite, used by refrac-

ories and in the metallurgical trade, a deposit of which is supplied from Washington; and the other is caustic or lightly-burned calcined magnesite, which is usually produced from amorphous varieties similar to deposits in Greece and now found in California. That is used by the oxychloride trade to form oxychloride cement, which hardens in a peculiar manner and so as to form a tough, elastic, resilient body, suitable for floors, wainscoting, sanitary base, insulating blocks, decks of ships, and a great many other uses in the building industry, for which they are of essential importance because these products are all fireproof and sanitary. Being made up with the magnesite base, they show the same refractoriness that magnesite does in the steel trade as to resisting fire.

Senator WATSON. What is your company making?

Mr. PAGE. Our company is making composition flooring, which is used in industrial plants, and was used during the war by the Government in its rapid-building construction owing to the fact that it can be spread or applied in thin layers over wooden foundations. It is unique so far as the way in which this cement can be used, and no other cement can be used that way—stucco can be applied in cold weather without danger of freezing. The Government used enormous amounts of it in cantonment construction and housing problems, and so forth.

Senator WATSON. Where do you get all that magnesite?

Mr. PAGE. It all came from California, with the exception, I should say, of some of it from Lower California, from Santa Margarita. In Mexico there is a deposit very similar to that of Greece, and that is brought up to California and calcined in the State of California and also supplied to this trade. We here look upon it as a California product because it is calcined there.

Senator THOMAS. Who produces it and brings it into California?

Mr. PAGE. The International Magnesite Co.

Senator THOMAS. The same company is operating there?

Mr. PAGE. They have the Bissel mine in California, too.

Senator THOMAS. Is that a very extensive deposit?

Mr. PAGE. Yes, sir; very extensive. The quality, if anything, is superior to the California deposits; it is more uniform.

Senator WATSON. Where is that?

Mr. PAGE. On the island of Santa Margarita, off the coast of Lower California.

Senator THOMAS. That belongs to Mexico?

Mr. PAGE. Yes, sir.

Mr. Baumbach has said that our industry is an American industry that has been established for 20 years. There are over 200 firms engaged in the making of oxychloride cement, and we have many more men employed in the industries throughout the country who are engaged in the mining of magnesite in California or Washington. Senator Thomas, I believe, asked a question as to the increase of the present price over the prewar price, or cost?

Senator THOMAS. Yes. You may state it in the regular course, however.

Mr. PAGE. Well, I have it here figured out in percentage. The cost of caustic magnesite is 240 per cent greater today than it was—

Senator THOMAS (interposing). Do you mean the cost of production or the cost to the consumer?

Mr. PAGE. The cost to us, the consumer, is 240 per cent over what it was before the European war.

Senator WATSON. Can you give it to us in tons, so much a ton?

Mr. PAGE. The average price in New York for the imported Grecian material before the war was \$25 a ton, and today it is nearly \$61.

Senator WATSON. The present price being for magnesite from California?

Mr. PAGE. Yes, sir.

Senator WATSON. You get none from Greece now?

Mr. PAGE. That is our only supply now, California.

Senator THOMAS. Has the price been increased since the armistice was signed?

Mr. PAGE. Yes, sir. There was an increase in price on July 1, 1919, and another one on July 19. We had advices from one of the California producers that they were compelled to increase prices July 1, but that they would supply any orders by letter postmarked previous to July 19; that they would accept letters so postmarked without an additional increase. It so happened, although I do not say it was the reason, that at that time, as you will remember, this matter was before the Ways and Means Committee of the House, and it was rather thought that favorable action would be taken on the matter of placing a tariff on magnesite. They all expected it and we did ourselves.

Senator THOMAS. Well, they take favorable action on all these bills, and then dump them on us to give close consideration to them.

Mr. PAGE. We claim that the amorphous producer, that is, the California producers who have amorphous magnesite, have absolutely no reason to ask for this protection, and for this reason: The price to-day is \$60 a ton in New York, and from sworn statements the average cost of producing calcined magnesite is \$25.13, and you add \$3 to the cost for grinding material, because we use ground material, makes a total cost of \$28.13.

Senator THOMAS. Does that \$25 include transportation?

Mr. PAGE. No, sir; the cost at the mine. At a selling price of \$45 f. o. b. the mine gives a profit of 60 per cent, which we are paying them to-day without the benefit of any tariff whatever. We have to-day a quotation on a 100-ton lot of Grecian magnesite, which is to be brought into this country in February, at \$75 a ton. Mr. Spieden, of the firm of Henry Spieden & Co., who have specialized in handling magnesite for the oxychloride trade in the past, is in Europe to-day, and he has advised his firm that he has 100 tons of magnesite to come in in February, for which they are quoting \$75 a ton f. o. b. New York. They said on that quotation the California producer is in a position to ask a profit of \$30.80 a ton or 109 per cent on his cost at the mines before he comes in price competition.

Senator WATSON. Have you any way of knowing that that price will remain?

Mr. PAGE. No. We only know that coal and fuel is almost impossible to get over there, and we have no hope of importing foreign material for a couple of years ahead of us.

Senator WATSON. This quotation of \$75 a ton may be the result of the unsettled conditions in Greece and in Europe generally.

Mr. PAGE. All we know is that it is a definite lot coming in, and it is the first real quotation we have had, and therefore is something definite.

Senator WATSON. Seventy-five dollars a ton with the freight prepaid?

Mr. PAGE. At New York. These figures I have mentioned apply to New York. As we go inland the differential in favor of the domestic producer grows in his favor. Chicago is the largest market for caustic magnesite. Some of our stucco manufacturers, who are developing very fast, are there. In Chicago they would receive a profit of \$41, with freight to Chicago, which is equivalent to 147 per cent, before they would come into price competition with the foreign material. That is all without any benefit in the way of a tariff. With the \$15 tariff added, or if they were to add that to their price, their percentage would be 162 per cent at New York and 200 per cent at Chicago.

Mr. Baumbach stated that California producers are already behind in their orders. The demands of our trade have been such that last fall they fell way behind, and they can not supply all of us.

Now, gentlemen of the committee, we have demonstrated fully to the Government the value of the oxychloride building materials in war time, so wouldn't it be wise to conserve the limited supply we have of amorphous magnesite in this country?

Senator THOMAS. How are you going to conserve it? The demand is so enormous it will be mined.

Senator WATSON. And you say you are not going to import any.

Mr. PAGE. In a couple of years we will. We all prefer the Grecian magnesite.

Senator THOMAS. Some of our western people have had tremendous doses of conservation and our stomachs are becoming a little gorged. Some of the people of this generation might have the benefit of it and let the next century take care of themselves. That is not an argument against your proposition, however.

Mr. PAGE. We feel that the quality of this material is not equal to the Grecian. We Americans dislike to acknowledge that, but nevertheless it is a fact. Any consumer of caustic magnesite will tell you that results with the American product are so uncertain that he has lost considerable money in the use of domestic material. It is probably due to the fact that the California miners are not sufficiently skillful, not having the practical knowledge of calcination of the material. Proper calcination will give good and efficient material, whereas improper calcination can give you a material that will not act chemically and will be valueless in use as oxychloride cement. We, as a company, purchased half a carload of material that when we came to use it was absolutely inert within a week's time and would not set up. It was found that this material was largely dead-burned material, and should not have been offered to the oxychloride trade. We believe that we will not be able to look for any improvement in calcination methods of western miners until they are brought into competition with Grecian miners, whose calcination is ordinarily carried out in Holland.

In conclusion, we merely want to point out so far as amorphous magnesite is concerned, that in our opinion no emergency exists, and beg to make the suggestion that magnesite, either calcined or crude, and more especially from the amorphous deposits of the variety used by the building industry, be excluded from the field of this legislation.

Gentlemen of the committee, that is all I have to say, and I thank you.

Senator WATSON. Any one else?

Mr. STUART. I would like to say a few words.

Senator WATSON. All right. Come around and give your name, business, and address to the reporter.

**STATEMENT OF MR. G. S. STUART, REPRESENTING THE SECRETARIAL SERVICE, PHILADELPHIA.**

Mr. STUART. I represent the Secretarial Service, who serve as professional secretaries to trade associations; and am secretary for an organization known as the Philadelphia Composition Flooring Association, composed of the Macanite Company of America, the Woodoleum Company, the Philadelphia Mineral Flooring Company, and the Petronite Company, all located in Philadelphia, and all incorporated.

Senator THOMAS. Are they competitive institutions?

Mr. STUART. They are. As secretary of their association I have been retained by them to come down here and enter an emphatic protest against the proposed tariff on caustic magnesite.

Senator WATSON. Do all these companies make flooring and stuccos; is that their business?

Mr. STUART. Yes, sir. Their object, first, because such a tariff would raise the prices of their raw materials to such a height as to make the price that they would necessarily have to charge in order to make an honest, reasonable profit, prohibitive for the public to use in their ordinary business construction.

Senator CURTIS. Do you claim if this bill is passed that the price of this material will increase?

Mr. STUART. I do.

Senator CURTIS. Did you read the hearings of the producers before the Senate committee, that it would not increase?

Mr. STUART. I did. I will talk on that later. Our association maintains that that would affect every industry in the matter of the slogan that the Government is now putting out, "Own your own home." It would affect everything from that up to the proposed construction of an American merchant marine.

A bona fide quotation from a New York importer quotes us \$75 a ton for Grecian magnesite laid down in New York. A quotation from a western miner is about \$60 or \$61 a ton for the same quality of magnesite laid down in New York. Consequently, the western miner now enjoys a differential in his field of, approximately, \$15 a ton in caustic magnesite. There would appear to be no justifiable reason for tariff protection according to these quotations.

Senator CURTIS. Yes; but what if prewar conditions should come about and you begin to get your material over there based on the

way they pay labor, some 17 cents a day and some a dollar a day, while industry here is paying very much more than that?

Mr. STUART. Is there any direct evidence that labor in Greece is worth only 17 cents an hour?

Senator CURTIS. No; that is not it. There is labor in Austria at 17 cents a day, not an hour, as we are informed, being used in producing this very material from the mine.

Senator WATSON. That is, there was evidence of that rate of pay before the war?

Senator CURTIS. Yes.

Senator WATSON. Nobody knows what conditions exist to-day.

Mr. STUART. Irrespective of the price of labor the quotation of Grecian caustic magnesite laid down in New York is \$75 a ton, just the same. If the price of Grecian magnesite delivered in New York were less than the price of domestic magnesite laid down in New York then there would probably be some justification for tariff protection; but even then the amount of a tariff, the amount that the western miner could claim, would only be the difference between the price of Grecian magnesite f. o. b. New York and the price of western magnesite f. o. b. New York.

Our people, to the best of my knowledge have used no imported magnesite in the last year. At our office we get the Government reports, and—

Senator CURTIS (interposing). There has been one lot imported.

Mr. STUART. We get Government statistics of materials that come through these ports and there has been one lot imported so far as I know. Consequently the material for our industry must come from the western miners.

Senator CURTIS. How do you know that this company that has advertised a price of \$75 a ton for magnesite from Greece may not be doing it to affect this bill?

Mr. STUART. They are not advertising it.

Senator CURTIS. Well, offering to sell it at that price.

Mr. STUART. They are refusing to sell it at less than \$75 a ton.

Senator CURTIS. Such things have been done.

Mr. STUART. I would submit that if my figure of \$75 per ton for Grecian magnesite laid down in New York, as against a figure of \$60 or \$61 for western magnesite laid down in New York, is not correct, certainly this committee would not care to take action on this tariff measure until they had thoroughly verified the figures and knew just exactly at what price foreign magnesite can be laid down in New York.

Senator CURTIS. Well, but this committee has figures at what price this foreign magnesite was laid down in New York before the war. And this committee has figures from a board created by the Congress, giving us the production in the different countries of the world prior to the war.

Mr. STUART. I submit that prewar figures do not—

Senator CURTIS (continuing). Those figures give us the supplies and also the cost of labor in the different countries where this article is produced. We have all that. What reason have we not to believe that with a settlement of war conditions this stuff will come back at the same price that it came to us before the war?

Mr. STUART. What evidence have we that magnesite will not come in at a higher price in the immediate future?

Senator CURTIS. Well—

Mr. STUART (interposing). Pardon me, if I may. I submit that the prewar figure on magnesite is not a correct figure, but that the postwar figure is the correct figure. We believe there is no more evidence that magnesite will come in at a cheaper price than our quotation than there is that it will come in at a higher price.

Senator CURTIS. Well, you know, of course, do you not, that it has been the practice of those countries over there, or, rather, of importers in this country who have connections over there, not only in this industry but in every other industry, to try to prevent the development of industry in this country. And you know it has been their custom to import their products at prices sometimes less than cost over there in order to keep our people out of the industry.

Mr. PAGE. May I answer that?

Senator CURTIS. Yes.

Mr. PAGE. The firm that is offering Grecian magnesite—Speiden & Co.—are the owners of a mine in California.

Senator CURTIS. And they are importing besides?

Mr. STUART. Yes, sir.

Senator CURTIS. They do not own very much in California, probably, and a good deal over yonder.

Mr. STUART. I wanted to point out that fact.

Senator THOMAS. Selling to foreigners at a less price than to natives is not a matter which foreigners have a monopoly of. I think we have been doing a good deal of that ourselves.

Senator WATSON. Are you getting enough raw material now to supply your demands; I mean, the demands of your companies?

Mr. STUART. I can hardly say yes to that; but I can say that our members are begging for it.

Senator WATSON. Well, you either are or are not. You have reason to believe you can not get all you want; is that true?

Mr. STUART. That is true.

There is a great economic question involved here. As I understand it, the United States Government is looking for certain industrial channels through which she may allow foreign importations to come into this country without doing any damage to domestic industry, because of the decidedly unfavorable balance of trade in favor of the United States as against European countries. That being true, I know of no industry in which importations of foreign products may be admitted to the United States with more equity and justice to all parties concerned, including the public and the United States Government, than in the oxy-chloride manufacturing industry.

Senator THOMAS. In other words, our exports depend very largely for their continuance and their bulk upon the amount of our importations; that is, the export trade of the Nation will either be met by an exchange of commodities or by specie, and there is a limit to specie?

Mr. STUART. Representing the Philadelphia Composition Flooring Association, I respectfully pray your committee to divorce from the so-called bill, H. R. 5218, tariff on caustic magnesite.

Senator WATSON. How much in money value do all of the companies you represent produce in a year?

Mr. STUART. What do you mean, now?

Senator WATSON. You represent certain companies that are using magnesite for the production of flooring, stucco, and other uses to which magnesite is put; what is the money value of your total products in which magnesite is used by all these companies you represent?

Mr. STUART. I do not know that I can give you that accurately.

Senator THOMAS. You can send it to us, can't you?

Mr. STUART. Yes, sir.

Senator WATSON. What I am trying to get at is, what this tariff would amount to if it is all added; what would it amount to to your companies in your production?

Mr. STUART. I can give you that approximately now, and I can send it to you accurately.

Senator WATSON. Give it to us approximately?

Mr. STUART. This tariff would probably make a difference of—well, I think I would prefer to send it to you accurately.

(The information afterwards furnished is as follows:)

PHILADELPHIA, PA., January 19, 1920.

SUBCOMMITTEE FINANCE COMMITTEE OF THE SENATE.

Washington, D. C.

GENTLEMEN: In conformity with your request when I was before your committee while you were investigating the matter of a tariff on magnesite, I attach hereto questionnaire which represents the combined figures of the four oxychloride manufacturing companies whose interests I represented.

Trusting this is the information desired, I am,

Yours, very truly,

PHILADELPHIA COMPOSITION FLOORING ASSOCIATION,  
G. S. STUART, Secretary.

QUESTIONNAIRE—COMPOSITION FLOORING BUSINESS.

1. What has been your gross business turnover in the past 12 months?-----	\$300,000
2. Estimate your prospective turnover in the next 12 months-----	\$600,000
3. What is the amount of capital invested in your business?-----	\$137,500
4. Give amount in tons of magnesite consumed in the past 12 months-----	1,170
5. Estimate in tons the probable amount of magnesite you will use in the next 12 months-----	1,850
6. How many employees have you (over all); that is, laborers, mechanics, and office employees?-----	92
7. What has been the average price per ton paid for calcined magnesite during the past 12 months?-----	\$60.70

Senator THOMAS. Your desire is that this committee shall limit the tariff asked to other forms of material than caustic magnesite; you are simply interested in that phase?

Mr. STUART. Yes, sir; that is right.

Senator THOMAS. The effect of granting a tariff on other forms of magnesite, however objectionable it might be, is something in which you are not concerned?

Mr. STUART. That is right. You see, gentlemen of the committee, while this is relatively a small industry, yet it is absolutely dependent upon the caustic magnesite feature as a raw product, and to place a tariff on raw magnesite, so as to make their raw product practically prohibitive, would simply put these men out of business.

Senator WATSON. Do you know how many firms there are in the United States in this particular line of business?

Mr. STUART. I do not.

Senator WATSON. Or what the total value of their product is annually?

Mr. STUART. I do not.

Mr. PAGE. May I answer that question?

Senator WATSON. Certainly.

Mr. PAGE. We have a list of users of magnesite, furnished by one of the leading dealers in New York, who specializes in this trade. That list contains over 400 names, and I took it up with the manager of that department, and he has pointed out a number of oxychloride users on that list, and they number 235 names. We have tried to estimate the volume of business done by these three sections, Chicago, New York, and Philadelphia, and, to the best of our ability, we placed it at \$6,000,000 a year, in volume of business, with an investment in the business for the three sections of about \$2,000,000. And that applies to only three localities, while there are other localities all over the country.

Senator WATSON. Does any other gentleman wish to be heard?

Mr. TAYLOR. Yes, sir; I would like to be heard.

Senator WATSON. All right; come around and give your name, business, and address to the reporter.

#### STATEMENT OF MR. RONALD TAYLOR, OF RONALD TAYLOR & CO., NEW YORK.

Senator WATSON. Whom do you represent?

Mr. TAYLOR. I am one of a number of users of magnesite, and also a member of the National Flooring Association. For the last 35 to 40 years I have been very active in the matter of the building interests in New York, as an officer in the largest association dealing in the building business. I wish to just place one phase of the subject before you; that is, the possibility, or I might say probability, that a tariff going on caustic magnesite would increase the cost of flooring, wainscoting, and base, and materials of that kind, to the point where it would compete more with terrazzo, tile, and mosaic work, and it would work a hardship to the manufacturers.

I have been using magnesite, I guess, longer than anyone else in the city of New York, and I feel that recently, especially since the war, we have been practically buying a cat in a bag so far as using caustic magnesite in that city is concerned. It has gone on to such an extent, that, knowing the labor side of the question as I do, as president of the Building Trades and Employers Association there, I feel that the labor people, the men who are actually doing the work, are getting to the point that they are going to say, perhaps, that unless we improve this raw material that we are using it is questionable whether the business will continue or not. Personally, I have had such doubt about the material, and so much uncertainty, that for the last two years I have practically refused to figure on work until it can be standardized. In other words, the business as I see it to-day is in this position: In the early days of the cement industry we had the same trouble, when we used the German cements and English cements in the early 80's and recently in the later 80's, when domestic cements came into vogue, we had the same trouble for a while until

they controlled it in a chemical way. So, that to-day we have close to eight or ten standard cements, and any contractor using them knows just what can be done with and what is possible to be expected of them. With magnesite we are like new-born babes in the proposition and—

Senator WATSON (interposing). Did you have this trouble before the war?

Mr. TAYLOR. No; not before the war.

Senator CURTIS. Because you got all your magnesite from abroad?

Mr. TAYLOR. Yes. As I say, the labor side seems to think it is a doubtful material that we are getting from our own domestic producers—

Senator WATSON (interposing). Doubtful how?

Mr. TAYLOR. Doubtful in the fact that it will not stay; it will expand excessively, even to the point of bulging out walls in rooms and partitions, especially where mosaic borders and tile borders are used in rooms for decorative purposes. It will expand to such an extent as to raise borders so that they can not be used. These labor men have got to the point where it is questionable whether they desire to go ahead with this material until it is standardized. I feel that the great trouble is that the California producers, or the western producers, have nowhere nearly got to the point of presenting to the public a material which we can bank upon. Take cements to-day, and we can guarantee them because we know what we can do with them.

Senator WATSON. The quality of magnesite is entirely different as between the California product and the Grecian product?

Mr. TAYLOR. Yes, sir. It may be entirely different because of the western manufacturers desiring to produce magnesite for other purposes. Whether they prefer dead burned material I do not know, but they do not seem to have given attention to material for our particular trade.

Senator THOMAS. The calcining process is one process for advancing the material for certain purposes?

Mr. TAYLOR. Yes, sir.

Senator THOMAS. In that calcining process you think the California people have not developed it to the point necessary?

Mr. TAYLOR. No, sir.

Senator WATSON. Of course, the miners do not do the calcining?

Mr. TAYLOR. No, sir.

Senator WATSON. The miners take it out and turn it over to somebody else?

Mr. TAYLOR. Yes, sir.

Senator THOMAS. I suppose the company does it all?

Mr. TAYLOR. Some of them do.

Mr. BAUMBACH. May I present something at this time?

Senator WATSON. Certainly.

Mr. BAUMBACH. One of the reasons explaining the uncertain condition of California magnesite is that it comes from a variety of sources and shows a big variation in chemical consistency. This report dated in 1918, published by the Geological Survey, mentions the different known deposits of California magnesite and their chemical consistency as to impurities of the raw materials, and shows such a

variety of different kinds of magnesite that come from that source of supply that it may explain the fact that some magnesite is good and some bad. It was always an unknown quantity that we were buying. I believe this is already in the record.

Senator WATSON. Yes; that is in the record.

Mr. BAUMBACH. I only wish to refer to that report of the Geological Survey.

Mr. TAYLOR. The point I wish to refer to before the committee at the present time is that caustic magnesite is not controlled chemically or commercially in the way that Portland cements are, and that we are all up against that proposition of doubtful material that we are using. Until the time arrives that these men know the chemical nature of the material they are dealing with, and can produce it suitable for our particular purpose, we are going to be in chaos all the time.

Senator THOMAS. That will result, no matter what the fate of this bill may be?

Mr. TAYLOR. Yes; possibly.

Senator WATSON. Do you know what portion of the magnesite production is used for this particular purpose, and what for steel purposes?

Mr. TAYLOR. No; I do not.

I think that is all I wish to say, and I thank you gentlemen for giving me this opportunity to be heard.

Hon. JAMES FRANCIS BURKE. Gentlemen of the committee, in asking for this hearing we appreciate how you are pressed for time, and also appreciate the courtesy of granting us a hearing at this time. We had no notice of the first hearing, and we are going to curtail our statements to the limit. We will only have about four witnesses, two of whom represent independent interests outside of ourselves and two of whom represent the American Refractories Co., which has the largest investment and which—

Mr. JAROS. I would like to say a word before they begin, Mr. Chairman.

Mr. BURKE. I beg pardon. I thought you gentlemen had finished.

Senator WATSON. All right. We will now hear Mr. Jaros.

**STATEMENT OF MR. SAMUEL JAROS, PRESIDENT OF THE KOMPOLITE CO., 325 BORDEN AVENUE, LONG ISLAND CITY, N. Y.**

Senator THOMAS. Do you represent the caustic side of the controversy?

Mr. JAROS. Yes, sir; but I hope it will not be a caustic presentation.

Senator THOMAS. That is impossible, I am sure.

Mr. JAROS. I would say that I am the president of the Kompolite Co., of Long Island City, N. Y.

Senator WATSON. What is kompolite?

Mr. JAROS. That is a trade name. We all have adopted some fancy names for not a very fancy product.

Senator WATSON. It is a name, and not a product?

Mr. JAROS. Yes, sir. May I call attention to one fact, and that is, that at the time this bill was first brought to public attention I, as the only magnesite calciner in the East, took upon myself to have

an interview with the Director of the Bureau of Mines on the subject. Mr. W. C. Phalen, mineral technologist, Bureau of Mines, had been directed by Dr. Manning, the Director of the Bureau of Mines, to investigate the magnesite situation in the United States, and he spent several days with us in our plant at Long Island City, where we were then calcining Grecian magnesite.

Senator WATSON. When was that?

Mr. JAROS. In the early days of the war and previous to our entering into the war.

Senator WATSON. How long have you been in this calcining business?

Mr. JAROS. Six years, about.

Senator WATSON. Calcining Grecian product altogether?

Mr. JAROS. Yes, sir; and some Canadian and some Californian; as long as it was possible to secure it at market prices.

If you will refer to the last day of the hearing you will notice that it was only in the last few pages of the hearing that the question of caustic magnesite was brought up. Up to that time it was simply magnesite. Unfortunately, and I am quite sure without any intention on anyone's part, we, the caustic people, who are using magnesite and an entirely different magnesite, were placed under the head of dead burned magnesite; which, perhaps justly, may have been considered as the recipient for favors of the Government because of the part played in the war. We are classed under the same head. There is as much difference between caustic and dead burned magnesite as between an apple and a pear. The materials entering into the production of caustic and dead burned magnesite are entirely different.

In consequence of my conference with a representative of the Bureau of Mines, Mr. Phalen appeared before the Ways and Means Committee of the House; and you will notice on the last few pages of their hearings for the first time the word caustic appeared. I feel quite sure that had our position been explained at the time that question would have been investigated by the Bureau of Mines and various departments, in which event I believe that the law might have been framed differently.

My experience has been in calcining magnesite, with the Grecian magnesite. They have a huge mountain of magnesite on one of the Grecian islands. But the difficulty over there to-day is this, and that is where I believe California would have an unjust and unfair advantage over us eastern manufacturers: My reports from the other side are that there will be no exportations from there of magnesite for several years to come, because of the absence of coal on the Grecian Islands, the absence of transportation from the Grecian Islands to the shipping ports—and ships can not go up to the islands at the present time.

Senator CURTIS. Why not?

Mr. JAROS. Because of low water. They bring the magnesite around in sailing vessels.

Senator CURTIS. They went there before the war?

Mr. JAROS. Yes; but they had shipping facilities then. They had labor and they had little boats that brought it around.

Senator CURTIS. Have they no small boats now?

Mr. JAROS. Absolutely not. They have no way of bringing the stuff out to port of shipment. That is the report I received from European calciners; especially the Dutch and the German have gone to pieces.

Senator CURTIS. What evidence have you to that effect; that they have gone to pieces?

Mr. JAROS. The only evidence I have is correspondence with the other side; and also from fact that we are asked if we have any calcined magnesite in this country for shipment to Europe. Of caustic calcined magnesite they have not enough over there.

It may be of interest to you gentlemen to know that the demand for caustic magnesite, for flooring and stucco purposes, in Europe is many, many times greater than it is in the United States. It is as commonly used over there as cement is here. The consequence is that they have a very large demand for it there, a much larger demand to-day than they ever had, which will prevent them from shipping the stuff over here. And the other fact, that they have inquired for American calcined magnesite to ship to the other side, led us in the early years of the war to believe that it would be possible to build up an American industry here in the East for doing what Holland and Belgium and Germany were doing. We had to discontinue that because it was impossible to bring the raw material over here.

Senator CURTIS. Did you try to bring any of the raw material from California?

Mr. JAROS. Yes, sir.

Senator CURTIS. Did you make a success of that?

Mr. JAROS. Why, I would not want to say anything that would be unfavorable to California.

Senator CURTIS. Well, we want to know the facts.

Mr. JAROS. I want to explain conditions to you: In the early years of the war I do not believe the California people knew how to mine and sort and handle it. I believe in the last three or four years those people have learned many lessons. I want to be just to all of them. The principal thing I want to emphasize is, that you are placing us with the dead burned magnesite, which is made from crystalline magnesite, two different things—and we can not afford to pay the same tariff; we can not pay the same tariff the other article is paying for the reason that our business will not stand it, and there is no differentiation. I want you gentlemen to understand that I am not here to ask for free trade; I am a protectionist, and always have been, and I believe that every possible protection should be given to our industry. But I know it is not the intention of any Government committee to do an injustice to a young and growing business, and that is what would happen if we had to pay a duty of \$15 a ton.

Senator WATSON. What tariff could you pay for the importation of magnesite if you could get it?

Mr. JAROS. That is a pretty difficult thing to say.

Senator WATSON. Can there be a distinction made between the two?

Mr. JAROS. Absolutely; because the difference between dead burned magnesite and caustic burned magnesite is almost as much of a difference as between white and black. I can recognize it immediately that I see it.

Senator WATSON. You do not import raw material at all?

Mr. JAROS. We did before the war.

Senator WATSON. Can there be a distinction made between the raw material coming from California and from Greece?

Mr. JAROS. Absolutely. The Grecian magnesite and the Californian magnesite look like a piece of chalk, whereas the crystalline magnesite looks like a piece of quartz. You can at once recognize the difference.

Senator THOMAS. One is crystalline and the other is not?

Mr. JAROS. Yes, sir. If you will pick up the two pieces you will see the difference immediately; a chemical analysis is not at all necessary.

Senator WATSON. Is the Grecian magnesite used in steel furnaces?

Mr. JAROS. Only when they add iron to it. It would not be practicable to add that because it would be too expensive. In other words, they must add this one quality to it which allows it to be dead burned and not a chemically active magnesite.

Senator THOMAS. Which destroys its use for the other purpose?

Mr. JAROS. Absolutely.

Senator WATSON. So Austrian, Canadian, and Washington magnesite could be used for one purpose and Grecian and Californian magnesite for another?

Mr. JAROS. Yes, sir. But exclude Canadian magnesite, because it is of such a poor quality that it will not do. The steel people did use it in the early days of the war, until the Washington supply came in, and then the Canadian magnesite was largely excluded.

The Canadian product contains too much lime, while the Washington product contains very little.

Now, gentlemen of the committee, the first experiments attempting to add iron to magnesite in order to produce a dead burned magnesite for the refractories trade was made in Long Island City. We found it was possible to add oxide of iron to magnesite, reburn it and produce results. That was the beginning of the industry in the United States previous to the introduction of the Northwestern magnesite.

Senator WATSON. I suppose you could take Californian magnesite and treat it and make it proper?

Mr. JAROS. Yes, sir; that it would cost so much that it would be impracticable; and even then the product would not be as good a product as now comes from Washington.

Mr. PAGE. May I offer a suggestion as to where the line can be drawn between the two kinds of magnesite?

Senator WATSON. Yes.

Mr. PAGE. Inasmuch as the possibility of doing that is through the iron in the magnesite, the Austrian and crystalline magnesite contain over 3 per cent of iron, whereas other magnesites do not contain anything like that quantity.

Mr. JAROS. Gentlemen of the committee, in conclusion I would just offer this suggestion to you: I believe if you will investigate the difference between the basic product—the raw material—and the finished product that we use, you will find it is not just to us in the flooring industry to be placed in the same class with them. To carry out the thought expressed by Mr. Taylor, I have been in this

business nearly 13 years, and have studied the growth of it, and the demand for composition floors and stucco I might well say has doubled itself year after year. The very fact that the United States Government has it as its standard specifications for floors, and that it is being adopted for the large buildings just as has been done in Europe and is being done to-day, shows there is a tremendous demand for the product.

Senator WATSON. Your factory has been running right along?

Mr. JAROS. Yes, sir.

Senator WATSON. Calcining magnesite?

Mr. JAROS. No; we had no material.

Senator WATSON. You shut down?

Mr. JAROS. Yes, sir.

Senator WATSON. You could not get any material at all?

Mr. JAROS. We could not get any material then. The Grecian product did not come in, and the Canadian product was useless.

Senator CURTIS. What did your raw material cost you laid down in New York prior to the war per ton from Greece?

Mr. JAROS. From \$15 to \$18 a ton.

Senator THOMAS. Long ton or short ton?

Mr. JAROS. Long ton. But I want to call your attention to the fact that it requires  $2\frac{1}{2}$  tons of raw magnesite to produce 1 ton of calcined magnesite.

Senator THOMAS. Two and one-fourth tons, did you say?

Mr. JAROS. No;  $2\frac{1}{2}$  tons.

Senator THOMAS. The most of the testimony has been that it requires 2 tons of raw material to produce 1 ton of calcined magnesite.

Mr. JAROS. Well, I prefer to say  $2\frac{1}{2}$  tons, and I am quite sure I am right.

Senator THOMAS. I just wanted to get your idea.

Mr. JAROS. That is it.

Senator WATSON. The Tariff Board reports that in 1915 the Grecian magnesite was laid down in New York at \$8 a ton.

Mr. JAROS. Why, some large shipments came in for refractory purposes, for Pittsburg, and they did come in at a low price, but high-grade Grecian magnesite could not come in at that time. I know that we paid and were willing to pay at the time more money than that. We bought calcined ground magnesite from Holland and Germany and were paying, laid down in New York, \$26 to \$30 a ton. I was quite willing to have my cost \$40 to \$45 a ton, because of the magnesite being fresh and properly calcined; the percentage required per square foot of flooring was better. Magnesite deteriorates, and the fresher the magnesite is the better it is. When we purchase magnesite we purchase a cat in a bag, but when we lay floors we are forced to give guaranties on the product of from two to five years, and in many cases have to give a surety bond, which means if anything happens to our production we, who are not really responsible for it and are the innocent sufferer, must go in and rip out the floors and relay them.

Senator THOMAS. In other words, the consumer demands protection.

Mr. JAROS. Yes, sir; but we can get no protection unless we know what we are using, and we do not know to-day what we are using.

I am not saying this against the magnesite people, but that is the situation.

Senator WATSON. The Tariff Commission reports that the price of crude at San Francisco was about \$8 a ton before the war, and Grecian magnesite was \$7 to \$8 per ton on board steamer in New York?

Mr. JAROS. Yes. That is, wherever a man brought over a cargo of 5,000 or 6,000 tons; but we could not purchase that much. Our capacity was, approximately, 15 tons per day. In other words, it was about three carloads a week. You can imagine that I could not go into the market and buy 5,000 tons of magnesite, which would be enough to carry me for a whole year. As a consequence we pay more, but I was always willing to pay more due to the fact that we could know what our results would be. Therefore I take the liberty of suggesting that there should be some differentiation made between caustic and dead burned magnesite.

Senator CURTIS. What per cent of iron do you think should be fixed.

Mr. JAROS. For our purposes preferably none. The smaller the iron content the better the result. There are two things we must avoid: Principally, lime; and, secondarily, iron.

Senator CURTIS. Then you would suggest the bill should read so as to exclude that magnesite containing no iron; is that what I understand you to mean?

Mr. JAROS. Refractory purposes need iron; we do not.

Senator CURTIS. For your purpose, I say.

Mr. JAROS. We may discover a deposit in California that is very low in iron and is of amorphous quality. For steel it has 2 per cent of iron. I would not say exclude that. Do not misunderstand me; I do not want to exclude the Californian product. But there is one great trouble we have in the East, where the industries are and where we are growing very rapidly, and that is in the matter of freight differentiation. The California men come and say: Pretty soon you will have water transportation, and it will cost no more than in Chicago. But we are pretty much skeptical of that, judging by the promises that have been made heretofore and our experience. The cost of our material has grown several hundred per cent, and the cost of our labor has grown nearly one hundred per cent, and yet the cost of our finished product, or the price, has not gone up more than 75 per cent. So you will understand we are under a very great disadvantage. We must fix a price on our noncompeting articles with competing articles, principally cement, or go out of business. We believe if the Government will do justice to us we can continue existing, but if this tariff is imposed upon us it will be a very great hardship.

Hon. JAMES FRANCIS BURKE. Mr. Chairman and gentlemen, we have divided the subjects that we wish to present to you into four parts. Before presenting same my colleague, Judge Covington, will present a brief which we have prepared with a great deal of care. The first witness will be Willis F. McCook, of Pittsburgh, a pioneer in the magnesite industry in the United States and one of the largest investors in magnesite in the world; a gentleman who with his associates, invaded Europe and made his original investment over there

for the preservation of which we are seeking protection at this time. The second witness will be Mr. Dolebar—may I ask, will you recess until 2 o'clock? And I promise you that we will curtail this hearing just as much as possible.

Senator WATSON. About 12 o'clock we will recess until 2.30 o'clock.

**STATEMENT OF HON. J. HARRY COVINGTON, OF COUNSEL FOR  
THE AMERICAN REFRACTORIES CO., WASHINGTON, D. C.**

Mr. COVINGTON. Before you begin the examination of our witnesses, in order to shorten this hearing within the most reasonable space possible we have prepared a rather elaborate brief which presents the situation with reference to the American Refractories Co. This American Refractories Co., that has an industrial investment in America, manufacturing magnesite into refractory material, from material being admitted into the United States, and because of the necessity in the steel industry for refractory material containing magnesite composition, went abroad prior to the war and made a very large investment of American capital as an adjunct of its American plant in the Austrian fields. So that it is an American industry—

Senator WATSON (interposing). Who are the members of the American Refractories Co.?

Mr. COVINGTON. Mr. Willis Francis McCook, who is now on the witness stand; Mr. Winter, a very large and extensive operator in various industries in the United States, of Pittsburgh—

Senator WATSON (interposing). Mr. McCook and Mr. Winter?

Mr. COVINGTON. Yes. It is a 100 per cent American corporation. It will be disclosed in this brief, as a matter of fact, that 15 per cent of the stock of the American Refractories Co. is owned abroad, that being necessitated, however, by the acquisition of 100 per cent ownership of the Austrian deposits by the American Refractories Co. What they did was to eliminate any possible foreign control of their own raw material. In order to do that they paid something less than 15 per cent of the American stock, just, as you please, the Western Maryland Railroad may have 20 per cent of its stock owned abroad, in order that the American company might have 100 per cent ownership in the deposits necessary for them in Austria in order to conduct their manufacturing enterprise in the United States.

This brief will disclose that they have an investment much larger than the entire American magnesite industry, which is potential at this time.

May I point out one seeming contradiction in the Tariff Commission's report to which you adverted a moment ago: The figure, \$15 a ton, prewar price, is not inconsistent with the other figures contained in the report, and for the reason that is what they described as raw magnesite. Fifteen dollars and seventy-one cents for ordinary dead-burned magnesite is perfectly consistent with it, because magnesite as a deposit loses, approximately, 50 per cent in the simple process of being dead burned.

Senator CURTIS. I understand that.

Senator THOMAS. Well, this is a battle between protectionists and is very interesting to me.

**Mr. COVINGTON.** I would like to have our brief put in the hearing at this point.

[Before the Finance Committee, United States Senate. Hearing on H. R. 5218, a bill to provide import duties on magnesite ores and the manufactures thereof.]

### I. THE PROPOSED LEGISLATION.

The bill H. R. 5218, as passed by the House of Representatives, proposes to impose on magnesite and its products imported into this country the following tariffs:

1. Magnesite, commercial ore, either crushed or ground, one-half of a cent per pound.

2. Magnesite, calcined, dead-burned, and grain, three-fourths of a cent per pound.

3. Magnesite brick, three-fourths of a cent per pound and 10 per centum ad valorem.

At the present time a 10 per centum ad valorem duty on magnesite brick is the only import duty on magnesite or its products. The proposed imposition of the other duties is entirely new and is a departure from the policy obtaining at the time of the passage of the Payne-Aldrich law and other prior protective revenue laws.

### II. THE CHARACTER AND HISTORY OF THE MAGNESITE INDUSTRY IN THE UNITED STATES.

Magnesite is a pure carbonate of magnesia with very low lime and silica contents, and there is no satisfactory substitute for it as a refractory material. It is used for lining the sides and bottoms of steel furnaces, furnaces for refining lead, and copper converters. For this purpose it is either made into bricks or grains, bricks being used in furnace sides and grains as a covering for furnace bottoms.

The use of magnesite also extends into industries manufacturing Sorel cement, sanitary flooring, stucco wall plaster, and is playing an increasingly important part in building operations. About 85 per cent of the domestic consumption is for refractory material, while 15 per cent is consumed in the plastic trade.

Magnesite has been produced in the United States since 1891, but prior to the outbreak of the European war the domestic product was inconsiderable, and came from the use of the California deposits. Twenty years ago a fair activity in the manufacture of magnesite brick was developed by the Fayette Manufacturing Co., which was later absorbed by the Harbison-Walker Co., of Pittsburgh. The art of producing refractory magnesite in the United States was therefore developed and well known in the United States prior to the war.

It is true, however, that the average annual domestic production was less than 10,000 tons prior to 1914, but this was because the California crude product, while available for conversion into calcined magnesite for plastic purposes, is greatly inferior to the Austrian ores for refractory material.

With the extension of the use of magnesite brick and grain magnesite in the steel and other industries using metal melting furnaces, large quantities of magnesite were imported into the United States from Austria and Greece. Of this imported product more than 90 per cent came from Austria because of the superior character of the Austrian ore.

The importation of dead-burned magnesite grew from about 30,000 tons in 1904 to nearly 150,000 tons in 1914, but the 11,000 tons of crude magnesite coming into the country in the latter year was an actual reduction from the annual importation of a decade before. This was because the reduction of crude to dead-burned magnesite for refractory material is a simple process, with little labor, and reducing the bulk volume about one-half.

With the extension of the use of magnesite in the United States, several companies engaged in the production of magnesite brick and grain magnesite. Among them is the American Refractories Co., which will be discussed in a later portion of this brief. During the years prior to the war, all the companies were importing the raw material for their refractory products, because of the great superiority of the Austrian magnesite. In this they were bringing in a raw material absolutely necessary to our steel and copper industries, and

operating extensive American plants for the manufacture of the refractory products.

Upon the outbreak of the European war, the importations from Austria were cut off, and the American Refractories Co., realizing immediately the need for the development of magnesite deposits in addition to those available from Greece, established, in 1915, rotary kilns at Bellefontaine, Ohio, and there began the development of the rotary kiln process of producing this material. The company turned to California for the development of tonnage and proceeded with the manufacture of dead-burned magnesite from raw material received from the California deposits, erecting there a plant for calcining in order to save the freight on the carbonic gas in the crude material, which is 5 per cent of the crude material weight.

In the year 1916, magnesite deposits were discovered in Washington and secured by purchase for a nominal sum by Mr. R. S. Talbot, of Spokane, Wash., who developed the deposits and shipped many thousands of tons of crude magnesite prior to the organization of the Northwest Magnesite Co. The Northwest Magnesite Co. was organized in 1917 for the purpose of taking over this property which had been purchased from Mr. Talbot.

The committee should not be misled by the date of the incorporation of this company into the belief that this date represents the beginning of a patriotic effort to develop this industry for the supply of this material in the United States during the war because, in fact, at the time the Northwest Magnesite Co. was organized, the domestic magnesite industry had been developed to large proportions in California, and the extensive deposits of Stevens County, Wash., were well known and had been explored to such a point as to indicate unquestionably their value and the handsome profit to be derived from the business.

Shortly after the entry of the Northwest Magnesite Co. into the field, the plant of the American Refractories Co. at Bellefontaine, Ohio, was abandoned because of its inability to compete with the product of the Northwest Magnesite Co. by reason, among other things, of the high freight costs and the inferior material obtained from California. In addition to this, the superior quality of the Washington magnesite to that yielded by the California deposits made competition between the two impossible. The abandonment of the plant at Bellefontaine is illustrative of the effect of the establishment of the industry in Washington upon the whole California industry.

Much might be said concerning the various disadvantages of the use of California magnesite for refractories purposes. The California deposits are small, the large majority of the mines having only a few thousand tons developed or in sight. The largest mine in the State has not as much as 100,000 tons developed, and two of the largest claims are located 22 miles and 40 miles, respectively, from transportation. The quality of the California magnesite is widely variant, the silica and lime content frequently being so high as to make it entirely unfit for refractories purposes. So great is the superiority of the quality of the Washington magnesite that every one familiar with the domestic industry will concede that the California product can not compete with it. It is true that the cost of production is far greater in California by reason not only of the difficulty of mining, due to the formations in which the deposits are found, but also because of distance from transportation.

As a consequence, the Stevens County (Wash.) deposits, which commenced development in the fall of 1916, soon reduced the California operations to insignificant proportions. Of course, it may be said that the California production continued great through the years 1917 and 1918, but this is true only for the reason that many of the California operators had firm contracts with the refractories companies extending through this period, at from \$35 to \$40 a ton for material that it was necessary to re-treat in the East. Had it not been for these contracts, the California production would have practically disappeared by the end of 1917. Even with the aid of these contracts, the California production dropped from 211,668 tons in 1917 to only 84,077 tons in 1918, and, regardless of whether or not there is a tariff placed on magnesite, the California deposits have no substantial importance, because the Washington operations, with their superior product and low cost of production, make it impossible for the California industry to compete. There is not one magnesite deposit in the State of California that has sufficient tonnage of proper quality to justify the erection of a plant for the production of synthetic dead-burned magnesite.

## III. THE INTEREST OF THE CONSUMERS.

It was estimated by various witnesses that the proposed tariff would make an additional cost of from about 3½ cents to 5 cents or 6 cents on a ton of steel. This calculation omits all reference to the additional cost in the production of copper, steel castings, and other materials in the production of which magnesite is used. There is a very simple method of determining the additional cost that will be imposed upon all industry by a tariff of \$15 a ton on magnesite. It must be assumed by those who advocate such a tariff that the full amount of \$15 a ton will appear as an addition to the price which would be current under free and competitive conditions; otherwise the tariff is not needed. The total consumption of magnesite in the United States at the present time was estimated by Mr. Riddell, of the United States Tariff Commission, to be about 300,000 tons crude, which would equal about 150,000 tons of calcined or dead-burned, so that the total tax upon the consumers of steel, copper, and other materials in the production of which magnesite is used would amount to \$2,250,000 per annum, a sum to be annually increased with the normal increase of production in the United States. The proposal therefore narrows itself down to this: That the consumers of these materials in the United States are to be taxed a sum equal to \$2,250,000 and more for the benefit of substantially one company having an original investment of about \$770,000, which it has already received back out of profits realized in the course of less than three years of its existence. It is inconceivable that Congress should impose such a burden on the country for the enrichment of the Northwest Magnesite Co. when at the present time this company is unable to supply the demand for tonnage that is made upon it even at prices that now return to that company a profit of 50 per cent on its claimed cost of production with no tariff on magnesite and under open competitive conditions. If this company is able to earn 50 per cent on its cost without tariff protection and operating at one-half of its full capacity, no one will question its ability to earn substantially more through its opportunity to increase prices at will in the event of the enactment of this tariff bill.

Now let us illustrate briefly the disaster which would fall on the brick-burning plants in the United States. The four plants in Pennsylvania engaged in the manufacture of magnesite brick were so located prior to the war, the raw material was imported and the plant of the American Refractories Co., built at Baltimore, Md., in 1917, was so located with the expectation of using the company's own raw material from Austria. It would be impossible for these plants to remain in business in competition with western companies located near the source of supply. At the present time magnesite shipped from Washington to plants in Pennsylvania and Baltimore is manufactured into bricks and re-shipped to points in many instances west of the Mississippi and as far as the Pacific coast, thus involving a waste in freight, which it will be impossible to maintain in the face of the competition of plants erected near the source of supply.

The imposition of this prohibitive duty will very quickly put these brick plants completely out of business, as the manufacture of magnesite brick will be forced westward to the most economical point for the assembling of Washington magnesite and fuel in relation to the ultimate market.

The investment in the present magnesite brick plants is estimated at approximately \$2,500,000. These plants are so located and are of such type of construction that they can not be converted to any other use, and we believe that it would be a safe prediction that within one year after the levying of such a duty as is proposed these plants will be abandoned.

With a full recognition of the efficacy of the protective tariff as an essential part of the economic system of the United States, the great industrial consumers of what is practically to them a raw material have a right to a reasonably competitive market in which to obtain their magnesite brick and grain magnesite. As it will hereafter appear, the acquisition of Austrian deposits by American capital was in the interest of the American consumers, and, moreover, the field in this country will normally be competitive without a tariff, with the Washington magnesite having the advantage in the greater part of the American market.

## IV. THE BENEFICIARIES OF THE PROPOSED TARIFF.

## (A) THE TOTAL EXTENT OF AMERICAN DEVELOPMENT.

Although it is claimed that there are from 7,000,000 to 8,000,000 tons of magnesite deposits in the United States, the only production mentioned in the reports of the United States Geological Survey are from the States of California and Washington. The possibility of the existence of deposits in New Mexico mentioned in the report of the Geological Survey of 1918 is based upon the hearsay statement of the general manager of a mine and a sample submitted by him for analysis. Neither Nevada nor New Mexico has ever produced a ton of calcined or dead-burned magnesite, nor is there a known deposit in either State containing material of requisite analysis that is accessible to transportation.

California being eliminated, it is therefore plain that there is no magnesite field in the United States of sufficient importance to be taken into account in connection with the consideration of the proposed tariff, except Stevens County, Wash.

In Washington there are just three operators, only one of which is equipped to produce, or itself ever has produced, synthetic dead-burned magnesite. That company is the Northwest Magnesite Co., which to-day absolutely controls the magnesite industry of the United States and not only dictates the price at which it will sell to the refractories industry but also the resale price at which the refractories manufacturers shall sell the product in grain form. The two other operations in Stevens County are the American Mineral Production Co. and the Western Materials Co. The American Mineral Production Co.'s operations consist only of quarrying crude magnesite in small quantities which are sold to the Northwest Magnesite Co., by which company the material is dead burned and marketed as its own. There is no real competition. The representative of the American Production Co. at the Senate hearing (p. 23) testified that with the assurance of the duty asked for on dead-burned magnesite, his company would proceed to build a dead-burning plant at a cost of one quarter of a million dollars. This is, however, a mere statement, and it is believed that there is little possibility of such construction being undertaken.

Neither the extent nor the quality of the deposits which have been worked by the American Mineral Production Co. have been proved. At the present time the Northwest Magnesite Co. has refused, so the information goes, to accept further deliveries of crude material from the American Mineral Production Co. because the magnesite is not acceptable in quality to the refractories industry, and it remains to be seen whether the American Mineral Production Co. has and can deliver material that will be suitable.

The third operation in Stevens County is the Western Materials Co. This deposit is located between 12 and 15 miles from the village of Valley and is equipped with three small shaft kilns for burning off the gas in the crude. The quantity of ore is not estimated. This company never has produced synthetic dead-burned magnesite for refractories purposes and has no plant for the purpose. At the present time it has contracted with the American Refractories Co. for its entire production of calcined magnesite at the price of \$20 per ton, f. o. b. cars, Valley, Wash., and the American Refractories Co. has been informed by one of the managers of the Western Materials Co. that its cost of production is from \$14 to \$15 per ton on board cars at Valley. This company operates under the important disadvantage of being 12 to 13 miles distant from transportation. Consequently its cost includes a charge of \$4.50 per ton for hauling the material from the kilns at the quarry to the railroad at Valley. This material is shipped east by American Refractories Co., where it must be retreated at a cost of \$10 a ton, so that the total cost, including freight, for the finished product, is about \$46 a ton at the Atlantic seaboard, while the claimed cost of the Northwest Magnesite Co. delivered at the same destination is \$37.15 per ton. The production of the Western Co. is now averaging only 20 to 25 tons per day. The plant and equipment represents an investment of not more than from \$15,000 to \$20,000. The operation is at present insignificant and its future wholly problematical.

It therefore becomes apparent that in Washington, the only field in which magnesite for refractories purposes can be produced, there is but one substantial company, the Northwest Magnesite Co. This company alone is the beneficiary for whose profit it is proposed to levy a tax upon the whole Nation.

## (B) THE NORTHWEST MAGNESITE CO.

The opposition to the proposed tariff on magnesite and its products, as contemplated by the bill which passed the House of Representatives, represents in no sense a controversy between the American Refractories Co. and the Northwest Magnesite Co. The broad question to be determined is whether there should be at this time a tariff, hitherto unknown in protective legislation, on an article in which American capital is heavily invested abroad, and which the consumers in America should have under competitive conditions with the minimum of injury to the aggregate of the various industries concerned.

Having shown that by a combination of circumstances and trade conditions the Northwest Magnesite Co., heretofore referred to, is the single substantial beneficiary of the proposed tariff, it is, however, deemed quite proper to point out that this company has already, as a result of the war, earned its capital in profits, and that it can continue its business upon a highly profitable basis without the proposed tariff for some time to come. That, certainly, is the case for a period far beyond the time when a general revision of our tariff laws shall take place after adequate study of world economic conditions, with a view to a proper readjustment of all our protective duties.

The Northwest Magnesite Co. was organized with a capital stock of \$1,000,000 and \$400,000 of 8 per cent bonds, which, as has been said by the manager of the company, were sold at 50 cents on the dollar. It appears from the figures submitted at the hearings before the House committee that the total investment in this property amounts to less than \$1,000,000. The company employs about 225 men.

An estimate based upon the best available data indicates that the Northwest Magnesite Co. since its organization in 1917 has made a profit of substantially more than the whole amount of its investment. The exact figures are, of course, not available to us, but the record of the United States Geological Survey for the year 1917 states that the production of crude magnesite in the State of Washington for that year was 105,000 tons, and as the Northwest Magnesite Co. was by far the largest producer in that district during that year, it is fair to assume that its production was at least 60,000 tons. A considerable portion of this, possibly 20,000 tons, was shipped in the crude form to the refractories companies in the East for dead-burning. This material was sold at a price of \$7.50 per ton f. o. b. Chewalah, netting the shipper about \$3 per ton profit. The calcining plant of the company started operations during the year 1917, and the remainder of its crude production was calcined before shipment and sold at a price of \$32.50 per ton f. o. b. Chewalah, and on the basis of other calcining costs in that district this selling price netted the company a profit of about \$17 per ton, or \$340,000, which, together with the profit of \$60,000 on the crude magnesite shipped by the company during that year, should have made its total profits for 1917 approximately \$400,000.

The United States Tariff Commission in its report of June 11, 1919, states that the cost of calcining magnesite in rotary kilns was about \$4.50 per ton at that time, which would leave the Northwest Magnesite Co. about \$10.50 per ton of product for the crude material delivered at their calcining plant from their quarries. The Western Materials Co. at Valley, Wash., is, in fact, to-day putting calcined magnesite on board cars at Valley, Wash., for a total cost of between \$14 and \$15 per ton, hauling the material by wagon a distance of about 13 miles.

In the year 1918 the Northwest Magnesite Co. produced 80,432 tons of crude magnesite, or approximately 40,000 tons of calcined and dead-burned. On the basis of that company's claimed costs of \$18.43 (exclusive of depreciation and depletion) and the average sales price during that year of between \$29 and \$39, it earned approximately \$450,000.

In 1919 the same company produced approximately 45,000 tons of dead-burned magnesite, and on the basis of its claimed costs of \$18.43, and its admitted average selling price of \$29, it has earned during that year approximately \$500,000.

The net profit to the Northwest Magnesite Co. during the years 1917, 1918, and 1919 therefore totaled approximately \$1,350,000, as against their own claimed investment of less than \$1,000,000. This estimate of the profit of the Northwest Magnesite Co. is made on the basis of its own statement of costs, exclusive of their claims for depreciation and depletion amounting to \$2.66 per ton, on the basis of which their entire investment will be amortized in about two years.

This at least is certain: The Northwest Co. entered into a contract in writing with the American Refractories Co., dated April 11, 1918, in which it agreed to sell to the latter company its entire requirements at a price to be regulated by the selling price to the regular trades f. o. b. cars Atlantic seaboard. At the time this contract was made, the selling price, Atlantic seaboard, was \$60 per ton, and upon this basis the price to the American Refractories Co. f. o. b. Chewelah, Wash., was fixed at \$33 a ton. The contract provided that as the seaboard price fell, the price to be paid by the American Refractories Co. should be correspondingly reduced, it being provided that when the seaboard price reached \$25 a ton the price to the American Refractories Co. f. o. b. Chewelah should be \$12.50 a ton.

The point to be emphasized is that in April, 1918, the Northwest Co. was willing to enter into a contract of sale at graduated prices to run as low as \$12.50 a ton, claiming at the time that even this price would yield a profit to the company. Some effort to explain this was made by the manager of the Northwest Co. at the House hearings, but certainly it is difficult to believe that business men of the ability and intelligence of those operating the Northwest Co. would enter into a contract to sell their product at a price of \$12.50 a ton when it was actually costing almost double that amount, as is claimed in the cost statement submitted to the committee.

The proposal for this tariff, therefore, reduces itself to the imposition of a tariff for the benefit of a single company, which, in its short history, has already received back its total investment in profits, and is to-day continuing its business at a profit of not less than \$500,000 a year.

#### V. THE EXISTING AMERICAN INDUSTRY CAN PROSPER WITHOUT IMPORT DUTY ON FOREIGN ORE.

In all of the estimates of comparative cost between foreign and domestic products, the Northwest Co. has assumed the point of destination of magnesite grain to be the Atlantic seaboard and has figured the freight rates accordingly. This is a clear and important error.

About 50 per cent of the magnesite grain is shipped to the brick plants to be manufactured into magnesite brick and the remaining 50 per cent is shipped in grain form directly to the steel or copper plants, where it is used in making bottoms of the furnaces in which the metals are treated. The brick plants are at present located in Pennsylvania and at Baltimore, Md. With the development of the industry in Washington under free and competitive conditions, it is inevitable that similar plants will be erected either by the producing company or by others, in such close proximity to the deposits of raw material as to have the benefit of the resulting low freight rates.

That portion of the magnesite production which is shipped in grain form directly to the steel and copper plants is shipped to basic open-hearth steel plants existing in territory from Worcester, Mass., to Seattle, Wash.; from Atlanta, Ga., to Los Angeles, Calif., and from Duluth, Minn., to Birmingham, Ala. It is a well-known fact that the center of production of steel in the United States is in the neighborhood of the Indiana-Ohio State line, and in view of the fact that there is a very large consumption of magnesite used in the copper-smelting industry in the Rocky Mountain States, it is fair to assume that the center of consumption of magnesite grain is west of the center of steel production. The product of the Northwest Magnesite Co. has a market and is extensively used in the steel works of Los Angeles, San Francisco, Portland, Seattle, Colorado, and Mexico, and in the copper smelters of California, Washington, British Columbia, Mexico, Arizona, Texas, Utah, Montana, Nebraska, and Kansas. We are unable to present national statistics to show the exact consumption of magnesite in the different States of the Union for the reason that such statistics are not compiled, but from our own records we have prepared a résumé of our shipments for the years 1916, 1917, and 1918, with the following result:

	Per cent.
Shipments to points east of the Indiana-Ohio State line.....	52
Shipments to points west of the Indiana-Ohio State line.....	48
Total.....	100

As a matter of fact 30½ per cent of our total shipments during the above years went to destinations north, west, and south of the Mississippi River, 26 per cent going to points in the United States west of the Mississippi.

With respect to the important consumption of magnesite by the flooring, plastic, and other building industries it is a fact, which we trust will be made

known by the evidence before this committee of the representatives of those industries, that a large proportion of these consumers are located in the West and the Middle West. These consumers buy at the mines and the material is shipped directly to their respective operations. It is obvious that the average delivery point in this industry is not the Atlantic seaboard.

Therefore, in determining the comparative cost of the foreign and domestic material, the Atlantic seaboard can not be fixed in estimating freight tariffs as the average point of destinations.

The following is a statement of the actual cost of all the magnesite imported by the American Refractories Co. from its Austrian plant during the year 1910, amounting to 7,508 net tons, delivered at Baltimore, Md.:

Total cost per net ton, f. o. b. Trieste (Includes only expense incurred and paid for in Austria).....	\$21. 06
Ocean freight.....	6. 45
General expense, insurance, entry fees, etc., incurred and paid for in United States of America in connection with these shipments.....	2. 82
Rail freight from vessels to Baltimore works.....	1. 05
Fuel purchases in Europe effected from and paid for in United States of America not included in above works costs.....	1. 04
Food and clothing purchases effected from and paid for in United States of America not included in above works costs, but distributed among workmen in part payment of wages.....	2. 98
<b>Total cost per net ton at United States Atlantic seaboard points.....</b>	<b>30. 31</b>
To arrive at cost on vessel deduct rail freight from vessels to Baltimore works.....	1. 06
<b>Cost on vessel.....</b>	<b>35. 25</b>

The following statement shows the comparison between the cost of domestic and imported magnesite delivered at various destinations, in connection with which we again emphasize the fact that the average destination is not the Atlantic seaboard but is some point west of the Indiana-Ohio State line. In this computation we have accepted the costs of the Northwest Co. as claimed by their representatives (Ways and Means Committee hearings, p. 18), including the excessive charges for depletion and depreciation, and have taken the Austrian cost without including a dollar of profit to the Austrian operation:

Comparative delivered costs of domestic and imported magnesite at Atlantic seaboard destinations:	
Chewalah cost f. o. b. cars.....	\$21. 09
Freight Chewalah to Atlantic seaboard.....	10. 06
<b>Chewalah cost delivered.....</b>	<b>37. 15</b>
Import costs at Atlantic seaboard (on vessel).....	\$35. 25
Import rail freight to average seaboard destination.....	2. 00
<b>.....</b>	<b>37. 25</b>
<b>Domestic advantage over import.....</b>	<b>. 10</b>
Pittsburgh-Cleveland district:	
Chewalah cost f. o. b. cars.....	21. 09
Freight Chewalah to Pittsburgh-Cleveland district.....	14. 21
<b>Chewalah cost delivered.....</b>	<b>35. 30</b>
Import costs at Atlantic seaboard (on vessel).....	\$35. 25
Import rail freight to Pittsburgh-Cleveland district.....	4. 00
<b>.....</b>	<b>39. 25</b>
<b>Domestic advantage over import.....</b>	<b>3. 05</b>
Chicago-St. Louis district:	
Chewalah cost f. o. b. cars.....	21. 09
Freight Chewalah to Chicago-St. Louis.....	12. 87
<b>Chewalah cost delivered.....</b>	<b>33. 96</b>
Import cost at Atlantic seaboard (on vessel).....	\$35. 25
Import rail freight to Chicago-St. Louis district.....	7. 00
<b>.....</b>	<b>42. 25</b>
<b>Domestic advantage over import.....</b>	<b>8. 29</b>

## Montana copper district:

Chewalah cost f. o. b. cars.....	\$21.00
Freight Chewalah to Montana points.....	9.58
<hr/>	
Chewalah cost delivered.....	30.67
Import cost at Atlantic seaboard (on vessel).....	\$35.25
Import rail freight to Montana point.....	16.79
<hr/>	
	52.04
<hr/>	
Domestic advantage over import.....	21.37

It will be seen from these figures that on the Atlantic seaboard the field is at present competitive; to go into the Pittsburgh-Cleveland district a handicap of \$3.95 must be overcome; to go into the Chicago-St. Louis district a handicap of \$8.29 must be overcome; to go into the Montana Copper district a handicap of \$21.37 must be overcome. It is obvious that the Atlantic seaboard is competitive and the Pittsburgh-Cleveland district might be available to the American Refractories Co. in time should it have the good fortune to be able to reduce its cost per ton a few dollars; the Chicago-St. Louis district is extremely unlikely to be open to it; the Montana Copper district is impossible.

As already stated, 26 per cent of the shipments of the American Refractories Co. during the years 1916, 1917 and 1918 went to points west of the Mississippi. Obviously there were many consumers in this territory who did not purchase from this company. Nevertheless we submit as a conservative calculation that 25 per cent of the magnesite consumers of the United States are located in the area west of the Mississippi River. This area contains practically the entire copper industry of the country, numerous iron and steel plants, and various other consumers. This is a field which will naturally be served exclusively by the Northwest Magnesite Co., except perhaps as to certain California users, and is an area into which the American Refractories Co. may never hope to penetrate. It is also an area which may be expected to develop considerably.

The American Refractories Co. expects to live for the present on such of the Atlantic seaboard trade as it might acquire. Eventually it hopes that conditions will be such that it may compete in the valuable Pittsburgh-Cleveland market, although it is recognized that this may be some years off at best, and that in the interim the company may at times find itself unable to compete even on the Atlantic seaboard. The reason is this: It is more likely that the cost of imported Austrian magnesite will go up than down.

It was alleged in the Senate hearings that a communication, said to have been received from the United States consul general at Vienna, purported to state that the total cost of production of magnesite in Austria is \$12.30 per ton, f. o. b. Trieste, not including profit, and that the selling price is \$40 per ton.

Inasmuch as there have been no exports of magnesite from Trieste since the armistice, except 6,807 gross tons exported by the American Refractories Co., not a ton of which was sold at Trieste, there can be no established price at that point, so that the information as to selling price is entirely incorrect.

In August, 1919, Mr. J. D. Billard, a director of the American Refractories Co., then in Europe, prepared a statement of their costs there, so far as the information then available to him would permit, and applying to production prior to August 1, 1919. A copy of this statement is here inserted:

*Sintermagnesite.*

[Self costs per ton f. o. b. Trieste.]

Total operating cost, including raw material.....	\$12.30
General expenses, including interests, etc.....	2.18
<hr/>	
Total producing costs.....	14.48
Depreciation and depletion.....	3.21
Freight and handling Radenthein-Trieste.....	4.25
<hr/>	
Total costs f. o. b. Trieste.....	21.94

(AMERICAN CONSULATE),  
Trieste, ss:

Before me, Ralph C. Busser, American consul at Trieste, personally appeared Mr. Joseph D. Billard, an American citizen, who being duly affirmed deposes and says that the above figures, viz: \$21.04 per ton given as cost of dead-burned magnesite produced at Radenthein, in Karnten, German Austria, are true and correct.

J. D. BILLARD.

(U. S. consulate seal).

No. 242.

Affirmed and subscribed before me this 20th day of August, 1919.

RALPH C. BUSSEK,

Consul of the United States of America.

(\$2 fee stamp.)

It will be noted that Mr. Billard's statement showed the total operating cost, including raw material, to be \$12.30 per ton, the exact amount reported by the consul. This figure, however, did not include general expenses, depreciation and depletion or freight and handling charges to Trieste, which bring the cost to \$21.04. In view of the fact that the statement was sworn to by Mr. Billard at the United States consulate at Trieste, it is probable that it was reported to the consul general at Vienna, who by error took the figure of \$12.30 and reported it as if it represented the total cost.

Reverting to the present actual cost of the Austrian magnesite delivered at Baltimore, it must be conceded that there are only three items which are susceptible of more than fractional change. These are "Ocean freight," "Total cost per net ton f. o. b. Trieste," and "Food and clothing."

First, considering the ocean freight, it is likely that this cost will continue to increase as the stabilization of central Europe progresses, if it does progress. Ocean freight is a commodity and its price is controlled by the usual general law of supply and demand. The present situation is that Adriatic ports are importing relatively a great deal more from this country than they are shipping to us. The consequence is that it takes more space to carry cargoes there than it does to bring cargoes away. The upshot is that outbound space goes cheaply these days in the Trieste market, compared with the price for which it will sell when bordering countries begin to produce commodities for export. Therefore, as conditions improve we may expect ocean freight to go up.

It can not be denied that conditions in Austria at the present time are desperate. Allow us to quote briefly from several American news sources:

Review of Reviews (December, 1919): "The Austro-Hungarian Empire was bankrupt within a year after the declaration of war. Her bankruptcy has been multiplied each year. The national debt of Austria, when contrasted with her resources, constitutes the most ludicrous fiscal statement in history. There is nothing left except repudiation; and repudiation means no advantage, not even in bookkeeping. \* \* \* Is it duly realized that to-day Austria is worse off than Armenia so far as food, clothing, and fuel are concerned?"

Chicago Tribune (Dec. 24, 1919): "On January 21 next all stocks of food in Austria will be exhausted and the population of 6,500,000 persons will begin to starve. Even before that date all fuel supplies will have been consumed and every industry in the country will close down through lack of coal for power."

New York Times (Dec. 31, 1919): "\* \* \* The Government printing press is the only works in Austria which is working rapidly."

In the face of such conditions the American Refractories Co. has found it necessary to purchase food and clothing for its workmen in Austria and coal for the operation of the plant, turning over the food and clothing to the workmen as a part of the labor cost. The kronen has depreciated to such a point that the company can not pay the workmen enough to buy the necessaries of life, and so must feed and clothe them to attain any production.

It is the consensus among competent observers that the desperate conditions in Austria are becoming even worse. All the hinterland which Trieste and Flume serve as ports is almost stagnant so far as production is concerned. The present situation, then, may be epitomized: High operating cost; moderate ocean freight. Should the operating costs decrease it would mean better conditions and more production throughout the hinterland and greater exportation at Trieste and Flume. This would make cargo space more expensive and the situation would then be: Moderate operating cost; high ocean freight. It is

obvious that no substantial change in the cost per imported ton is possible for some years at the least.

In the hearings some mention was made of Greece as a possible exporter of magnesite to our country. No fear need be entertained of Greece; the country has no coal and without coal it can not prepare its ore. Its coal supply came from England and the fact that England is now refusing coal to France may be employed as a gauge in determining how long it will take Greece to obtain coal from England.

Although the American Refractories Co. has no means of obtaining authoritative information on Greek calcined magnesite, which the building trades have been accustomed to import from that country, and which is a product used by a different class of consumers than those of dead-burned magnesite, yet it is informed by representatives of those industries that the latest quotations from Greece for calcined magnesite are from \$60 to \$70 per ton. That conditions in Greece will not soon be changed is indicated by the following quotation from the Commerce Reports No. 7-A issued by the Department of Commerce, dated November 6, 1919, at page 27: "There has been no production of calcined magnesite since the early part of 1915, when work was suspended on account of lack of fuel for calcinating process."

There are no other known sources of magnesite which are able to produce sufficient quantities of the material to affect the situation.

#### VI. MAGNESITE INDUSTRY NOT DIFFICULT TO ESTABLISH; ITS RELATION TO NATIONAL PREPAREDNESS EXAGGERATED.

It was stated before this committee at the original hearing (p. 17) that the real question is whether the United States shall become dependent upon Austria for a mineral which is necessary in the defense of the country. The general manager of the Northwest Co. said: "Should we have another war we must have magnesite, as was indicated in the last war." This novel idea of preparedness is that the country should exhaust its reserves at the rate of 350,000 tons a year in order to have magnesite at the disposal of the Nation in case of war. Suppose the war should come the year after the reserves had been exhausted?

The truth is that, although there is no likelihood of it, the best thing that could happen to further the cause of preparedness in this regard would be to close down the domestic magnesite industry completely. If not another plex were raised, the country would be that much better off. There is no speciality in training necessary for the personnel, and the equipment is substantially the same as that used in other kindred lines, and, in case of emergency, a crew with equipment could commence producing magnesite from an abandoned deposit on short notice. It should be borne in mind that the process described by the Northwest Co. as manufacturing consists only in crushing and passing the material through a rotary kiln at a temperature of approximately 1,500° C. and that the entire operation, from the quarrying of the crude rock to the placing of the value of the product on their books as accounts receivable or cash, consumes a period of about 48 hours.

The opponents of the proposed tariff, of course, do not mean to say abstractly that it is not a sound policy of economics in connection with the national defense to have in peace times all industries necessary in time of war. But, when an industry established only during the war has earned its invested capital by war profits, and it is of the sort that can be recreated with ease at any time, the policy of protection does not extend to the destruction of other similar American industries existing before the war, and which must have foreign free raw material in order to live.

#### VII. AN AMERICAN COMPANY WITH HEAVY FOREIGN INVESTMENTS WHICH HAS NEVER PROFITED IS ENTITLED TO AT LEAST EQUAL CONSIDERATION WITH A DOMESTIC COMPANY WHICH HAS ALREADY PAID FOR ITS INVESTMENT.

Through the force of circumstances brought about by the war, the Northwest Magnesite Co. has already been able to establish what is practically a monopoly of the magnesite in the United States. It is to make this permanent that the imposition of the tariff is desired.

During the war there were, of course, no importations of magnesite. War conditions have had the same effect as a tariff wall. At the present time

about 15 per cent of the total consumption is being imported from Austria. The conditions as they now exist furnish a fair picture of conditions as they will be in the event of the enactment of this legislation, except that in such event even the 15 per cent now imported will be cut off. Since resuming operations in July, 1919—after the hearing before the Ways and Means Committee—the Northwest Magnesite Co. has been furnishing the American Refractories Co. less than 10 per cent of the former's production; for which it has been charging \$30 per ton, whereas to other refractories manufacturers who have been getting 90 per cent of the production of the Northwest Co., their price has been \$28.50. In the face of this discrimination, the American Refractories Co. has been helpless for lack of any other source of supply.

Since the resumption of operations by the Northwest Magnesite Co. in July, 1919, the American Refractories Co. has placed with the former company orders for July, August, and September aggregating 5,000 tons. The shipments received for the five months from July to November, inclusive, aggregated 2,718 tons, leaving an unobtained balance on the orders of the Refractories Co. of 2,282 tons.

All of these orders were for delivery prior to October 31, and in explanation of its failure to ship the Northwest Co. has stated that shipments could not be made because of the accumulation of prior orders. Eventually these prior orders were filled, but nevertheless the American Refractories Co. still failed to receive its deliveries, and the Northwest Co. then took the position that the delivery of their product was being made on the basis of percentage of total orders on hand. For more than a month past the American Refractories Co. has endeavored by every possible means to induce the Northwest Magnesite Co. to say what tonnage and at what price the Northwest Magnesite Co. would furnish material for equal monthly deliveries over the first six months of the year 1920, but has been unable to get any offer whatever from the Northwest Co. for any quantity at any price and does not now know at what price its needs will be supplied or whether it will obtain any tonnage at all. In consequence of the inability of the American Refractories Co. to obtain the deliveries from the Northwest Co. and in spite of the fact that it is paying higher prices than its competitors, the Baltimore brickmaking plant of the Refractories Co. has been closed down three different times since the first of August for periods of from one to three weeks.

Not only has the Northwest Co. been able to exact from the American Refractories Co. a price higher than that paid by its competitors, but also to dictate the price at which the product may be resold, and has imposed upon the Refractories Co. a resale price of \$32.50 for magnesite purchased at \$30. If further evidence of the control of the market by the Northwest Co. is desired, we ask the attention of the committee to the letters of Mr. Bishop which appear at pages 110 to 112 of the hearings before the House Committee on Ways and Means.

In the spring of 1918 the Northwest Co. entered into a contract with the Harbison-Walker Refractories Co. for its entire output. As a consequence, in order to obtain the prospect of the delivery of any dead-burned magnesite whatever, the American Refractories Co. was obliged to give an order for not less than 10,000 tons for the purpose of guaranteeing to the Northwest Co. sufficient profit to induce it to erect additional kilns, the Refractories Co. to receive deliveries in increasing quantities as new kilns were erected. This contract was made, but the material was not furnished.

It thus appears that the cutting off of the importations of magnesite has resulted within a very short period of time in placing the Northwest Co. in a position of absolute control and domination over the American market, so that it may select the favored companies to which it is willing to sell, may fix the price, discriminating as between one company and another, and even dictate the price at which the product shall be resold, and exact any conditions it sees fit for the favor of filling an order, with the net result to the American Refractories Co. that it has not been able to obtain sufficient magnesite to keep its brick plant going, in spite of the high price which it has been obliged to pay for the product.

Our contention that the Northwest Magnesite Co. is able, and has been able, to control the magnesite industry in this country is no mere idle statement. The committee for themselves may judge whether or not the following letter,

written by Mr. Bishop on February 3, 1919, shows belief in complete ability to dominate the American market:

"Mr. P. B. MOSSMAN,

*American Refractories Co., Pittsburgh, Pa.*

"DEAR SIR: Through the Denny-Renton Clay & Coal Co., in Seattle, we have been selling a small amount of magnesite; in fact, the total is only 23½ tons for the year. They have sold some to the navy yard at Bremerton, ground and sacked, at \$90 per ton.

"They advise me to-day that they heard that the American Refractories Co. had offered to sell the ferro-magnesite for \$35 per ton delivered in Seattle.

"I thought that if you knew what we have been obtaining for this material that you might want to raise your price.

"Yours, very truly,

"ROY N. BISHOP, *Manager.*"

It is easy to see that the American Refractories Co. could not long continue to live under such conditions, made permanent by the imposition of the proposed tariff.

The Northwest Magnesite Co. has laid great emphasis on its right to preferment because of its patriotic service. It is true that the magnesite produced by the Northwest Magnesite Co. during the war was, as far as it went, a valuable contribution to the country in a crisis, and we do not desire to belittle it. But we do say that this company has not only been richly rewarded, but has in prospect the accretion of additional handsome profits without any assistance from the Government. For what more could patriotic business men fairly ask?

It is asserted that the magnesite industry of the State of Washington is of the same class as the American dye industry and is entitled to the same beneficent treatment. As a matter of truth, no such analogy exists. The American dye industry, with its many millions of invested capital, its relation to national defense and national health, its difficulty of creation, and its susceptibility to the corrupt and hostile methods of German dye manufacturers, has had its case already presented to this committee. The legislation drafted to assist the dye industry is not destined to favor it beyond the other industries in resisting normal competition, but to place it beyond the reach of its old active enemies. This principle has no application to the magnesite industry, as has already been shown.

The American Refractories Co., on the other hand, has a far greater investment of capital than exists in the entire magnesite industry in the United States. This investment was made at a time when the copper and steel producers of the United States were wholly dependent for their supplies of magnesite upon the German and Austrian trust.

In order to be freed from that condition, the American Refractories Co. acquired magnesite properties of its own in Austria, which now represent a cash investment of over \$2,000,000, from which it has produced and sold to the American manufacturers magnesite which is recognized to be of the highest-known quality.

The Austria-American Magnesite Co. was organized with the larger part of its capital being American money, and as it did not make any money for a time, the European stockholders were dissatisfied. Thereupon the American Refractories Co. bought the Austro-American company in entirety and paid therefor less than 15 per cent of the capital stock of the Refractories Co. The Austrian company with its magnesite deposits is therefore now owned entirely by the American company, and that company is operated wholly for American industries.

As yet, not a dollar of profit has been realized from this Austrian operation. On the contrary, up to the time of the outbreak of the war it had been conducted at a loss. From the beginning the American Refractories Co. met with opposition and obstruction of every kind in the development of its Austrian operation and had just succeeded, by the surmounting of these difficulties, in arriving at a situation in which a fair profit might be realized, when the war broke out. All of this money and effort has been expended in good faith and in the spirit of American business energy and enterprise and in the natural course of events will result in freeing American industry from the domination of a German-Austrian trust. The passage of the proposed bill would absolutely bar the importation of Austrian magnesite, and inasmuch as there is no substantial European market and the American Refractories Co. has not the

facilities nor the opportunity of entering the European field in competition with European companies, its Austrian plant, with its investment of from \$2,000,000 to \$3,000,000, will become a total loss.

Further than this, the brick-burning plants of the American Refractories Co. and other companies have been erected in Pennsylvania and in Maryland as the convenient points of destination for imported magnesite during the time when there was no magnesite to be obtained except the imported article. These brick-burning plants represent investments of approximately \$2,500,000. If the monopoly which is sought is awarded to the producers of Washington, these plants must be abandoned and new plants established near the source of the raw material.

In order to provide a prohibitive tariff, not necessary, it is asserted, for the benefit of one domestic concern, the destruction of other American companies, with several times the capital invested and employing several times the labor, is gravely proposed. Certainly this will not appeal to the Members of the Senate.

#### VIII. THIS IS A FUNDAMENTAL QUESTION.

Despite the very evident conflicting interests which present themselves in this matter, we submit that the proposed tariff raises a fundamental question. It goes much farther than the dollars and cents gained or lost on either side and shows itself as a matter involving an important question of economic policy, the right determination of which is most important.

The policy of allowing the importation of raw materials generally, and especially the components used in the manufacture of steel, is consistent with the tariff principles of both great political parties. There are, of course, exceptions based on the exigencies of particular circumstances, but the accepted policy, whether applied on a tariff for revenue or a protectionist basis, is to favor the free admission of the crude product, so that American enterprise might be allowed to fashion it into the finished article and sell it to the world at an eligible price.

Dead-burned magnesite belongs to the category of raw material. The dead-burning, a simple process requiring only a few hours, may advantageously be accomplished prior to shipment because it reduces the body of the material about 50 per cent and saves valuable cargo space. That is the only reason the dead-burning is done in Austria.

The committee which is being petitioned to recommend this important change of policy has practically no other data upon which to base its step than those supplied by one Washington corporation, whose interest is obvious. Faced with the responsibility of destroying by taxation one American industry whose invested capital greatly exceeds the domestic investment, especially when it is established that the former has lost money while the domestic industry has handsomely profited, coupled with the fact that that latter is certain to enjoy for at least several years all economic advantages of position, it is not believed that this committee will favor a determination so unfair to this important American industry, until the time for a general revision of the tariff should come, or until the condition of the world should become normal to the extent of being able to judge the true effect of such a tariff.

AMERICAN REFRACTORIES CO.  
JAMES FRANCIS BURKE,  
J. HARRY COVINGTON,  
*Of Counsel.*

Senator WATSON. We will now hear Mr. McCook.

#### STATEMENT OF MR. WILLIS F. MCCOOK, OF PITTSBURGH, PA.

Mr. McCook. In reply to the Senator's question, I will say that the gentleman who preceded me belonged to the caustic side of this case and I belong to the burned side.

Senator THOMAS. You do not want to get burned by this committee, then, I suppose?

Mr. McCook. I hope nothing worse than we are.

Senator WATSON. You may make your statement in your own way.  
 Mr. McCook. I engaged in the magnesite business first in 1891, when I organized the Fayette Manufacturing Co.—

Senator WATSON (interposing). Where was that located?

Mr. McCook. On the Youghioghny River, above Pittsburgh. We made synthetic magnesite, that is, we took the by-product of carbonic gas manufacturers who extracted gas out of the raw and the refuse was dumped over the hill. We found by using that refuse and burning into it from 4½ per cent to 7 per cent of iron that we could make good refractory material for open-hearth steel furnaces.

Senator WATSON. That was magnesite that you were getting?

Mr. McCook. Yes, sir. They took the carbonic gas out of it and the rest was refuse as far as they could find out and we found a use for it and made synthetic magnesite.

Shortly after we got into this business we took hold of the Austrian magnesite, because we found it was better than the material we were making for steel furnaces. That is, by the process of making steel by open hearth as distinguished from bessemer, the bessemer process was developed very much. The need of material for open-hearth work seemed to us then enormous, but it was small as it looks to us to-day. So we sent our representative to Austria to investigate the quality of the material over there, and after so doing we abandoned our process of making synthetic magnesite and brought in Austrian magnesite and produced it therefrom in this country.

Senator WATSON. What was the difference between the two for your purpose?

Mr. McCook. For steel purposes the Austrian is the better.

Senator WATSON. In what way?

Mr. McCook. As to lime it was better, and the iron was better combined. In comparison with what we have done synthetically, nature seems to work it out in her slow laboratory in the rocks to a greater degree of refinement or by a better combining process.

Senator WATSON. So that the Austrian material was better than that which you produced?

Mr. McCook. Yes, sir. So we abandoned that process and brought in Austrian magnesite.

I speak of this now because it has been rather suggested in this hearing that certain persons were entitled to the credit for developing this process and carrying the country through the war. In fact, they had a suit brought against us within two years past to restrain us from using the synthetic process, by a man who had fooled the Patent Office into giving him a patent for it, but we knocked him out of court by showing an anterior use of the process. They had forgotten it and thought it was a new invention.

Mr. Winter and I went into the development of iron ore in the Baraboo district in Wisconsin. In developing it we found a very fine deposit of silica rock, commonly called ganister, out of which silica was made for open hearth furnaces. Up to that time none was known except in the Allegheny Mountains and in Colorado. I decided to go into making silica brick. I incorporated the American Refractories Co., under the laws of the State of West Virginia. We acquired the deposits in Wisconsin, and equipped them, and opened them up and built works at Joliet, Ill., to make silica brick. We had no contemplation of getting into the magnesite business at all, and

did not wish to get into it at that time. We started in very successfully in making silica bricks. We save consumers in the Chicago district \$2.50 to \$2.60 a thousand on brick from Pennsylvania, by getting it out there. We came in competition—

Senator WATSON (interposing). You made that actual reduction to the consumer?

Mr. McCook. Yes, sir; and gave the consumer the benefit of that reduction. Or, not quite that, but we gave them about \$2 of the \$2.50. That produced hostility from the Pennsylvania manufacturers, especially from the Harbison-Walker people, who succeeded the Fayette Manufacturing Co.; they had bought up the Fayette Manufacturing Co. in 1901. They succeeded to the contracts of the Fayette Manufacturing Co., which I was guilty of making, and they controlled the magnesite business in the United States at that time. They served notice on the United States Steel Co. that if they bought our silica brick they wouldn't furnish them any magnesite. So here we were with our investment in the silica business. Mr. Corey sent for us and said: "Now look here, unless you can get ready to furnish us magnesite we will have to stop buying silica brick from you. There is no use trying to sell silica brick alone, because an open hearth furnace is compelled to buy magnesite brick, silica brick and grain, and unless you can furnish all the materials you can not do business in competition with other companies."

Senator WATSON. Silica brick alone would not do?

Mr. McCook. Silica brick alone in competition with such a company as that would not serve us, and the United States Steel Co. gave us notice that we would have to get magnesite or they would have to quit buying from us.

Senator WATSON. Must they have all three of them?

Mr. McCook. Yes, sir. I do not know whether I am telling you a twice-told tale or not, but an open hearth furnace is a rectangular—

Senator WATSON (interposing). We understand that.

Mr. McCook. It must come up to the slag or top of the metal, and it takes that kind of material to stand the heat, with grain on the bottom. You have to have all of them to build a furnace.

Senator WATSON. Magnesite material would do for all of it, wouldn't it?

Mr. McCook. Yes, sir; but it would be too expensive.

Senator WATSON. What is the difference between the cost of silica brick and magnesite brick?

Mr. McCook. Oh, I suppose—Mr. Mossman, what would it cost?

Mr. MOSSMAN. At the present time?

Mr. McCook. Yes.

Mr. MOSSMAN. I suppose 6 or 8 to 1.

Mr. McCook. Oh; about five times the cost of silica. But I am not a practical man in the matter of salesmanship and prices and I will have to ask somebody else to answer those questions for you.

Senator WATSON. All right. Go ahead.

Mr. McCook. In that situation we made our investment, several hundred thousand dollars. We either had to sell out to our competitors at whatever price they would pay, or lose investment, or find magnesite. I was very much opposed to it, and held back a good deal and said that I had had experience doing business a thousand miles away from home and did not like it. But we were in a

crisis, and we were forced to go to Europe and look for magnesite. We went over there and found a deposit in the Alps. The Government would not allow us to have any smoke in there, as it was a summer resort. In addition we drove a tunnel, and we found it was a blanket thrown down over the side of the Alps by the heat of the spring waters, magnesia springs. So it was just a thin blanket that we found there and not a permanent deposit. We had to abandon it, but we went ahead hunting for two or three years, and found a deposit in southwestern Austria, near Rodenthein. I acquired that deposit from those German-Austrian stockholders, who now own 15 per cent of the stock of the American Refractories Co., and we started to erect our works.

Senator THOMAS. About what year?

Mr. McCook. I can not tell you exactly, but I think 1907.

Mr. MOSSMAN. It was in 1908.

Mr. McCook. All right. We then started to build works, and we had to build rope hauls. There we built a plant, and it was some 8 miles down to a railroad, and we had to have another rope haul; so that, taken altogether, it was a very large investment. We have invested a little over \$2,000,000 in the Austrian enterprise. By the time the war ended we had a deposit in the bank of Vienna of about 2,000,000 kronen, originally worth about 20 cents, but now not worth quite as much as 1 cent each. So we have not gotten a cent profit out of that investment. As long as the English objected to our going into it we went in there in spite of them. I got reports every two weeks, but when Congress passed the trading-with-the-enemy act we quit doing anything until last July. We then sent Mr. Billard over there, and he found our works intact.

Senator WATSON. Had they been operating them during the war?

Mr. McCook. Yes, sir; operating them under a German military officer.

Senator THOMAS. And the product was used, of course?

Mr. McCook. Yes, sir. I think they used it almost altogether in the making of buildings, caustic magnesite, I think.

Senator WATSON. Do you know whether they used the composition or the raw material?

Mr. McCook. No; but they paid for it and put the deposits in the bank, but we lost it because a kronen is now worth about 65/100ths of 1 cent instead of 20 cents. We are also out the wear and tear of our works, but we have made no claim for that.

As I say, we were forced into that thing by conditions over here. We were forced in there by the competitive conditions here and because we had no American magnesite. Besides, we were fighting the Austrians.

Senator WATSON. What did you do over there; how far did you take the magnesite?

Mr. McCook. We brought it out of the quarry, calcined it, put it in bags of about 200 pounds to the bag, and shipped it to the United States.

Senator WATSON. What did you pay your labor in your factory before the war?

Mr. McCook. The last labor we ever got over there we paid from \$1.08 to \$1.10 a day. I heard Senator Curtis say 17 cents a day, but we never heard of anything like that.

Senator CURTIS. You employed prison labor some?

Mr. McCook. Oh, no.

Senator CURTIS. It was employed some?

Mr. McCook. Prison labor or prisoner labor?

Senator CURTIS. It is the same thing.

Mr. McCook. Well, during the war we employed Russian prisoner labor.

Senator CURTIS. And you paid 17 cents a day?

Mr. McCook. In addition to the wages that we paid the Austrian Government.

Senator CURTIS. What did you pay them?

Mr. McCook. A dollar and two cents or a dollar and four cents a day, something like that. We paid those poor devils the additional sum you have spoken of, for smokes, as they called it. That was not the wage, Senator. We never heard of any such wage.

Senator CURTIS. One of your own men said that is what you paid, 17 cents a day.

Mr. McCook. For those prisoners?

Senator CURTIS. Yes.

Mr. McCook. Oh, yes; that was for beer and smokes. That was not the wage at all. We paid the Government besides that.

Senator CURTIS. That would make the wage what?

Mr. McCook. It made the wages that we paid them about \$1.20 apiece.

Senator WATSON. What did you pay your miners?

Mr. McCook. They are the same. That is the wage prevailing there. You know until the war broke out our miners were mostly Italians. Italians are the best quarry workers in the world. But when Italy came into the war they had to go away. At the time—for comparison, Senator, let me say this: At the time we were paying prewar wages over there of \$1.08 to \$1.10 a day, we were paying the same character of labor in this country \$1.70 and \$1.80 a day.

Senator CURTIS. What are they getting now?

Mr. McCook. I do not know. Mr. Mossman will answer that.

Mr. MOSSMAN. Four dollars and seventy-five cents to \$5 a day now.

Senator THOMAS. Do you mean in Austria or here?

Mr. McCook. Here.

Senator THOMAS. What are you paying in Austria?

Mr. McCook. Heaven's alive, do not ask me such a question as that! I could not answer it. When Mr. Billard tried to open up the works in July of last year, when he got there they said, "What is the use of money to us? There is nothing here to buy." And there were the poor devils starving, and their wives and children starving, and if they had had their pockets full of kronens they could not go out and buy a piece of bread because it was not there to buy.

Senator WATSON. Did he open up the works?

Mr. McCook. He opened up the works by buying food and clothing in this country, and shoes and underclothes, and sending them over there, and getting the thing started up in that way. We bought—

Senator THOMAS (interposing).—You operated by the commissary system?

Mr. McCook. We bought \$50,000 worth of food and supplies in Italy, and here about three weeks ago we bought \$4,500 worth of

these Army shoes, and were trying to get our work going under those conditions, and were sending that stuff over there and issuing it to them for very much less than it cost us.

Senator THOMAS. In other words, you are carrying on a business enterprise and doing philanthropic work besides?

Mr. McCook. You would do the same thing.

Senator THOMAS. Certainly. I think you are to be commended for it.

Senator WATSON. You surprise me by saying you bought in Italy to send to Austria. I thought, if anything, it would be the other way.

Mr. McCook. We have only gotten in about 7,000 tons of magnesite during the last year. When we got that food up to those poor fellows there came along a representative of the Government, and we had nine carloads of milk and bacon and lard and things that they needed, and they are all enemic, and the poor children have stopped growing, and they were pale, haggard, and undeveloped, and would be a detriment to the human race the balance of their lives; but when we got the food up there the Government would not allow us to issue it to them. They said if those people were fed and the balance were not given food there would be trouble for the Government, and they held it for a long while, but we finally got it issued.

You ask what it cost us. The Government has taken our coal mines—

Senator WATSON (interposing.) Confiscated them?

Mr. McCook. They have not confiscated them, but to use their expression, they have nationalized them—taken their products for the people.

Senator WATSON. Have they permanently taken them?

Mr. McCook. Oh, no, not yet.

Senator WATSON. They are going to give them back?

Mr. McCook. They say so. But I am trying to answer your question of what it will cost: Mr. Mossman can approximate it pretty closely but I can not. As I say, we can not get Welsh coal, because the vessels are very infrequent from the Adriatic to England, and the best rates we have been able to get are \$25.

Senator THOMAS. Including transportation?

Mr. McCook. That is the cost of marine transportation, \$25. That does not cover the cost of the coal. We are doing the best we can to get our works operating, and doing the best we can to feed those people, but it is almost impossible for me to tell you what it is going to cost, but we are going through with it no difference what the cost is, because there is not a spot in this wide world to-day, in my belief, unless it be in portions of Poland, that is in as bad a position as Austria, and especially Vienna.

My friend, Mr. Wilson, took a map and a lead pencil and cut out 7,000,000 people, of which 2,000,000 can not produce food, and almost 5,000,000 can not get enough food to keep them alive, and who have to cut wood on the mountain side to keep them warm. They have lost practically everything. They are surrounded by nations which are hostile, and their condition is pitiable indeed.

Senator WATSON. Will not that condition disappear with the coming of the league of nations?

Mr. McCook. No, sir; and not with a thousand leagues of nations. They have hated each other for a thousand years and will continue

to hate each other. You can not make nations with a lead pencil and a map.

But, gentlemen, I am using your time and did not intend to do so. Senator, you are to blame for leading me into this discussion.

Senator THOMAS. At least what you have said is very interesting.

Senator WATSON. You have described that situation until you have gotten all of the members of the committee hungry.

Mr. McCook. It is one of the most dramatic situations that I ever got into—hunting for that magnesite.

Senator WATSON. The committee will now recess until 2.30 o'clock.

(And, at 11.55 o'clock a. m., the committee recessed until 2.30 o'clock p. m.)

AFTER RECESS.

The subcommittee reconvened at 2.30 o'clock p. m., pursuant to recess.

Senator WATSON. Mr. McCook may resume his statement.

STATEMENT OF MR. WILLIS F. MCCOOK—Resumed.

Mr. McCook. Senator Watson, you asked me this morning about the \$2.50 saving of freight. I told you we gave up \$2.50. That was not any actual benevolence on our part. We wanted the whole thing, but the United States Steel Co., our largest buyer, would not have it that way. They said if they were going to pay the Pennsylvania price they might as well buy Pennsylvania brick because they knew it would last. We got as much as we could.

Senator WATSON. You have no way of telling, of course, what wages are going to be in Austria after conditions settle down?

Mr. McCook. None at all. I think Austria will be one of the longest and latest States in Europe to be rehabilitated. That is my present view; and I see that Mr. Hoover in his testimony before the Ways and Means Committee of the House on yesterday said it would be useless to send money over there because there is nothing to buy. I know that I sent money to the Red Cross and they could not use it over there. The men, since they left the army, are reduced in strength. They can not do a whole day's work, and will not be able to do it until they are fed up and clothed and nourished. Then the railroad conditions over there are such that our works in Austria are without railroad facilities, and the ports are surrounded by all kinds of chaotic conditions, and marine rates are high—what we used to get for 10 shillings we now have to pay \$7.50 for, and it is almost impossible to get ships. I shall be glad if we can be able to resume normal conditions in two years.

Senator CURTIS. What was your prewar cost of production at the mines?

Mr. McCook. I would rather you would ask Mr. Mossman, our auditor, that. My recollection is—

Senator CURTIS (interposing). I will ask him that.

Mr. BURKE. We will cover that completely.

**Mr. McCook.** I am one of the administrative officers of the company, but I do not go into those questions in detail, because we have a very efficient system of bookkeeping. I do not know about that.

**Senator WATSON.** What will be the effect of such legislation as this tariff on your business?

**Mr. McCook.** To express it in one word, ruinous.

**Senator WATSON.** It will ruin the Austrian end of your business?

**Mr. McCook.** Not only that, but will mean ruin to the magnesite brickmakers in the United States.

**Senator WATSON.** Why?

**Mr. McCook.** Because they will have to abandon their works, located on the Atlantic seaboard, and put them inland, or else demand excessive prices.

**Senator THOMAS.** Why is that?

**Mr. McCook.** Why, if the magnesite comes from the Pacific coast how can you bring it here to our works?

**Senator THOMAS.** Freight rates have been so arranged heretofore just to favor those conditions and ruin the section of the country in which I live.

**Mr. McCook.** Well, you can not do that.

**Senator THOMAS.** Take the question of freight rates before the war, and they were practically the same for all points east of the Mississippi River from California. From California to Denver the rate was about the same as to many points east of there, and it was against the people of my section of the country.

**Mr. McCook.** The rates on magnesite since I have known it have been about \$12 or \$12.60 to Chicago, and \$16 or \$16.50 to the Atlantic seaboard. It never has been less than a difference of \$4 between those points. We went to Austria not because we wished to, and went in with the absolute hostility of the Austrian makers of magnesite. The makers were organized into a trust or cartel as it is called in Germany. It had taken up every factory or maker of magnesite in Austria and Hungary except one small works. After we discovered the deposit over there and started our own works they attacked us in every way. They had the most learned men to write articles and publish them in the trade journals and other papers, to the effect that our deposit was poor; that it was very limited in extent; that it contained an excessive amount of lime and silica; that it was defective, and that we were financially irresponsible; that we were seeking credit everywhere, and would soon go into the hands of receivers.

**Senator THOMAS.** They acted just like Americans do?

**Mr. McCook.** Yes, sir. And finally they published that they owned the majority of the stock of our company. That is the opposition we met. But we did not need their money, and before the war broke out we were bringing as many tons of magnesite into the American market as they were, and it was just as good.

**Senator WATSON.** The Tariff Commission reporting on rates, says:

The freight rates by rail from San Francisco to Chicago just before the war were \$10 a ton; to Illinois and Ohio points, \$11; and to Pittsburg and beyond, \$12. The average price of domestic crude in the San Francisco market was about \$8 a ton. The average import valuation of Grodan magnesite (which was more strictly competitive with the California product than the Austrian) was \$7 to \$8 a ton on board steamer in New York.

Then it goes on to say:

A freight rate of \$4 a ton from San Francisco to points on the Atlantic seaboard through the Panama Canal was quoted when the canal was first opened, but was later increased to \$7 as the scarcity of bottoms became apparent.

Mr. McCook. There never was a time that I knew of when the rate to Chicago was the same as to the Atlantic seaboard. It has always been higher to the Atlantic seaboard than to Chicago. As I say, we had progressed to the point at the time of the war when we were bringing just as much magnesite into the American market as Veitcher, or the German cartel or trust. They had taken in every known magnesite works in Austria-Hungary except one small works in Hungary and our own.

Senator WATSON. Are the possibilities of magnesite production in Austria very great?

Mr. McCook. Yes; I would say so. That is a relative word, but I would say yes. I think they are great enough to supply the trade in the United States if necessary.

Senator WATSON. What is the total consumption in the United States?

Mr. McCook. That is dependent upon the output of our steel furnaces, including the copper companies, but I would say from 150,000 to 200,000 tons a year of dead burned magnesite.

Senator WATSON. Does that include all kinds?

Mr. McCook. All kinds of dead burned.

Senator WATSON. Of magnesite?

Mr. McCook. No; not all kinds of magnesite, but dead burned. I say I belong to the burned class. Now, I will answer that in this way: The capacity of the open-hearth furnace production in this country has increased since 1914 about 20 per cent. We now have, according to the Iron and Steel Institute, a rated capacity of about 140,000,000 tons of open-hearth steel, including Bessemer. Mr. Bishop testified that for 1 ton they got about 5 tons of finished product, and I think he is about right, because I have seen the records of the Illinois Steel Co. and the Carnegie Steel Co.—and really they have evolved a plan whereby they can use dolomite, and have gotten it down to 5½ tons, now, I think. That would make very close to 200,000 tons of magnesite a year if all of the furnaces are run to full capacity. That is as good an answer as I can give you.

Senator THOMAS. Do you think the Austrian supply of magnesite is sufficiently large to supply other countries and our own?

Mr. McCook. I am not competent to speak as to the Veitcher Co., Senator, but I believe they are. I believe they can supply all needed requirements.

Senator WATSON. Do you believe our people in this country can supply all we need here?

Mr. McCook. I doubt it very much, in the way conditions are now. And the deposit is not large enough. If you undertook to do that it would exhaust that deposit inside of 25 years, and our country would then, unless new deposits are found, and we do not know of them, be without magnesite.

Senator CURTIS. Aren't they finding them in Arizona and Utah?

Mr. McCook. No, sir; nothing has been found.

Senator CURTIS. I was told by a very well informed man yesterday that they have found some in Utah.

Mr. McCook. Yes; but of what quality?

Senator CURTIS. I do not know.

Mr. McCook. I am speaking of available magnesite. Magnesite is found, but I am speaking of magnesite good enough for commercial use. And large enough to justify a commercial plant, and good enough to use in competition with dolomite and other magnesites. There are plenty of magnesites, but not good enough, because too full of lime.

Let me proceed because I have taken much more time than I expected. In that situation when we were shipping here about 4,000 tons a month, and Veitcher about a like amount, the war broke out——

Senator WATSON (interposing). What was your greatest production in Austria?

Mr. McCook. It all came to America. We went into this business to take care of the American trade, and 4,000 tons a month was our rate of shipment. We have one 50-ton rotary kiln and one 100-ton rotary kiln, and we would average about 150 tons a day, if nothing broke down, or about 4,000 tons a month, was our actual experience. In that situation the war broke out, and the English blocked the Adriatic and we could not do business. So after expending about \$2,000,000 over there, and all this effort of years to supply ourselves with magnesite, we found ourselves cut off. We were back where we were in the beginning. Our other works were useless if we could not join magnesite with our products, and we were back at the beginning.

So we went out to California, and there found some magnesite of variable quality, but none justifying the erection of a plant at the quarry. But we went up the mountain and found a little magnesite, limited in extent and width, but we had that rock shipped into us, with all the expense of double freight and everything in that way, and we took our works over to Bellefontaine, Ohio, at an old cement works, and began making magnesite to take care of the trade. The Harbison-Walker people did the same. In that way we carried the country along during the years 1916 and 1917.

Senator WATSON. Do you know just how much business you did in that way? Did you have just one works, the Bellefontaine works?

Mr. McCook. That was one works only. We had rock shipped to us from half a dozen places in California, in small quantities, but the accumulated quantity was not large compared with what we had been doing. I would not undertake to say what it was exactly. It is in our brief. But we went on notwithstanding we were paying double freight on this rock. When the northwestern magnesite deposit came to our knowledge, late in 1917, or in that year anyhow, and they began producing magnesite up there that was not sintered, we began to look into that field. Magnesite could be used in field furnaces, but there was not iron enough in it, being very little, not sufficient to make it useful. We sent out there and investigated their works, and their deposits, and made a contract with them, and then we said to them this: "It is folly not to complete this operation out here where a rock is, out where your works

are; not to make this dead-burned magnesite right there and save all the freight." They had not done it. We had made synthetic magnesite before, and we had been doing it at Bellefontaine, Ohio, and knew how to do it, and so we sent our man out there to show them how it could be done, and to cooperate with Mr. Bishop and show him how it was done.

Senator WATSON. Where was that?

Mr. McCook. Out at the plant of the Northwest Magnesite Co.

Senator WATSON. Where did they have their establishment?

Mr. McCook. In Chewelah, Wash. We sent Mr. Austin out there, and he showed them the process we had used in making synthetic magnesite, and thereafter they did it, and we bought our magnesite from them. At the close of the—

Senator WATSON (interposing). Do you know what their production was per annum or per month?

Mr. McCook. I think they got up at one time close to 9,000 tons a month. I think so. About a month after the armistice was signed, either a month or six weeks, Mr. Bishop came to my office in Pittsburgh, and there met Mr. Winter and me, and suggested that we buy an interest in their works; said they had one interest they wanted to sell, and wanted to sell to a consumer. As I say, we had sent a man out there and examined their deposits and their works. In discussing the question of cost with them, and what they could do as against the Austrian magnesite when the war was over, and Mr. Bishop told us, I think in December, 1918, within a month or six weeks after the armistice, that he was then making his magnesite at a cost of \$15 a ton, and with additional kilns and if operating at full capacity and regularly he could get the cost down to \$10 a ton. We did not purchase that interest because we thought that while Mr. Bishop could control the western market, and could come as far east as the Missouri River, and likely could come as far as Chicago in full competition with us, yet with our big investment over in Austria we concluded we did not care to duplicate our investment in the United States; that we would rather get along with one-half the territory than to double our investment. So we did not make that investment. In that situation this legislation was proposed.

We have, in addition to our works over at Rodenthein, Karnten, Austria—and I wish some gentleman would let me have those pictures over there—a plant in Baltimore. In 1917 we commenced, and in 1918 we completed our brickworks in Baltimore, spending \$500,000, with a view to supplying our trade with magnesite brick. We could not make them in Austria and ship them over here. Now, gentlemen of the committee, we built these works at Baltimore on the fate of this supply of magnesite from Austria.

Senator WATSON. When did you build those works?

Mr. McCook. We commenced them in 1917 and finished them in 1918.

Senator THOMAS. After our entry into the war?

Mr. McCook. Just about the time of it as I recollect, and I think about a month before we entered the war we started in on building the plant in Baltimore. We have spent \$500,000 there. If this bill is passed our investment in Austria will be ruined. That investment in Baltimore will be ruined for commercial purposes because no

brickworks out here can successfully operate as against a brickworks in the Chicago district; and brickworks erected in the Chicago district can put these brickworks out of business, except for the eastern trade, which is small in proportion to the total.

Senator CURTIS. Would that be true if you got your material by way of the Panama Canal?

Mr. McCook. Yes, sir.

Senator CURTIS. Laid down there at a saving of about \$19 a ton freight?

Mr. McCook. From what point?

Senator CURTIS. From the State of Washington.

Mr. McCook: It has not been done.

Senator CURTIS. I know it has not been done but the statement was made here a moment ago that the report of the Tariff Commission was to the effect that it could be delivered for \$7 a ton.

Mr. McCook. Did the Tariff Commission give you the marine rates?

Senator CURTIS. I do not know about that. But how about that situation?

Mr. McCook. Well, I will say this: That is just about as near right as the statement of 17 cents a day being paid as wages.

Senator WATSON. I read from the report of the Tariff Commission.

Mr. McCook. Well, it will not work. If their claim of \$21 cost at Chewelah, Wash., is added to that I will say we can not run these works. If that claim is true we can not do it.

Furthermore, if we are knocked out of the Austrian magnesite business, for the same reason that we were knocked out of the silica business once, we will be knocked out, and away goes these investments. In other words, our company with an investment of \$3,500,000 has virtually got to be wrecked in order that this legislation might be passed. We are an American company. The title to the works in Austria is in Mr. Winter, Mr. Billard and myself; wholly in us. We control it. We have 15 per cent of German capital in the American Refractories Co., which we exchanged for the title in that rock over there, so that we would control it. We are an American company, with every dollar of American capital in it, and we have built up this industry in opposition to the Austrians in order to help the American trade, and the steel trade, and now just as we are fully equipped and ready to do business properly we are to be wrecked!

Senator THOMAS. And the magnesite people say that if we do not pass this bill they will be ruined. You say if we do you will be ruined; and there we are.

Mr. McCook. I say they are wrong. If that is so I will take their investment off their hands, and after so doing I want to promise you that I will not ask for any tariff, either.

Mr. BURKE. He made that proposition before, and will do it again.

Senator THOMAS. Well, gentlemen, that ought to enable this committee to save its face.

Mr. McCook. Well, gentlemen, I will pledge myself individually to take those works, and I won't ask you for a tariff.

Senator WATSON. What works?

**Mr. McCook.** The works that are here asking for a tariff, the Northwest Magnesite Co.

**Senator WATSON.** Well, the California people, are, too, aren't they?

**Mr. McCook.** No.

**Senator THOMAS.** Oh, yes.

**Mr. McCook.** Well, they are here, but I do not see how it concerns them, because they are only distributors of this burned magnesite locally. They can not compete with the Northwest Magnesite Co.

**Senator THOMAS.** Every industry calling itself a baby industry, created by the war, wants a tariff.

**Mr. McCook.** I know that. And so would I if I were them, but the tariff will not help them to come east a bit. They will sell locally and will not sell any place else.

**Senator WATSON.** You say you will be willing to take their works at what figure?

**Mr. McCook.** At what it stands them to-day.

**Senator WATSON.** And will ask for no tariff?

**Mr. McCook.** Yes, sir.

**Mr. BURKE.** And pay them a handsome per cent on their money?

**Mr. McCook.** Yes; interest on the money. Let me put an auditor on and see what their works stands them to-day, and I will cash it and then you gentlemen will not be bothered with a request for a tariff.

**Mr. BURKE.** Will you explain your 10-year contract with the United States Steel Co.?

**Mr. McCook.** In addition to what I have said, the United States Steel Co. sent their Mr. Gray, one of the biggest and best men they have, over there to examine our works over there in Austria before they would make a contract with us, and then they made a 10-year contract with us.

**Senator CURTIS.** Of course, if you were to buy the Northwest Magnesite Co. you would shut down the mines in Washington and bring your product over from Austria?

**Mr. McCook.** We will not do any such thing. We will run them, and from them sell as far east as Chicago, and sell the Austrian product in the East.

**Mr. BURKE.** You will guarantee to run them?

**Mr. McCook.** Yes, sir; and ask for no tariff.

**Senator CURTIS.** Will the material last a good while?

**Mr. McCook.** Yes, sir. I am speaking advisedly, and I say we have not gotten one cent from our investment, and yet we will take what they have in their investment, and cash it with interest, and take over their works, and then will not ask for any protection for any such weak infant as this is represented to be. But it is not weak.

**Senator WATSON.** If we were a court we might enter a decree right here now.

**Senator CURTIS.** I think it would be a mighty good bargain for these men. They would then monopolize the trade of the country.

**Senator WATSON.** That is one phase of it I was going to ask about. Suppose you had a monopoly in the Northwest and one in Austria,

wouldn't that give a monopoly of the magnesite business, and couldn't you raise the price where you pleased?

Mr. McCook. No; we would be in the same position as far as Austria is concerned as before.

Senator WATSON. Yes; but you would have a monopoly in this country?

Mr. McCook. Not very far in the west beyond Chicago.

Senator WATSON. The big competition comes from Austria?

Mr. McCook. Yes; that would keep it down.

Senator WATSON. You shipped more from Austria than any other company?

Mr. McCook. Austria would keep it down.

Senator THOMAS. Did not the war break that work down?

Mr. McCook. Yes, sir; for us. I want to say that we were competing with the Austrians, and that competition brought the profit down to 75 cents a ton. That was the margin of profit at which the steel trade was furnished in this country, and it will come back if this company's works are rehabilitated, but it will take two years to do it. I will continue the works and get my money out of them before that time.

Senator WATSON. What were the largest imports before the war? Not yours, but all of them?

Mr. McCook. Four thousand tons a month. I would hardly put it that high.

Senator WATSON. You sent in 4,000 tons a month?

Mr. McCook. Yes, sir. Our capacity is 4,500 tons a month, but taking all things into consideration I would say about 4,000 tons a month.

I want to say that when we got those works established in Austria, and doing business, we made a contract with the United States Steel Co. for one-half of their consumption in this country. They sent Mr. Gray over there to see if we could carry it out, and he came back and reported that the magnesite was all right. We continued that contract, expiring the 31st of December, 1919. We owed them about 5,000 tons on their contract. I had written into the contract a condition dependent upon war, and so forth, and that that would suspend shipments, but the war being over we owed them about 5,000 tons, and we got a steamer in here and told them although that price was \$16.25 a ton on the Atlantic seaboard, we recognized the obligation of the contract now the war was over, and here was the magnesite, and they could have it if they wanted it. They took it, and they met us very nicely. We suggested that the contract also provided for an increased price in event of conditions arising beyond our own operations, and then we said: "Now you take this magnesite, as much as you want of it, and we will adjust the matter of increased cost under the contract later." They said they did not like to take a contingent liability of that kind. They asked what we thought it would be. We said in the neighborhood of \$40 or \$42 a ton. They said they wouldn't pay that. They offered \$25 a ton, and we asked \$35 a ton, and finally they said they would compromise at \$30 a ton which we did. You asked about the price, and I say we delivered 2,000 tons of Austrian magnesite at \$30 a ton under that old contract, the contract which expired the 31st of December, 1919.

Gentlemen of the committee, it is pretty hard for me to keep myself down. I do not want to say unkind things, but I want to say this: We have been charged with being a German company. I know that because secret-service men have been to my office to investigate.

Senator THOMAS. Maybe that was on account of your name.

Mr. McCook. No; I do not think anybody would doubt the name McCook. But the former alien property custodian had taken over the interest of the widow of the German consul at Dusseldorf. Her father was the judge of the Montgomery County court, and he was appointed German consul at Dusseldorf, and when the war broke out she could not get home. They seized her stock, as well as that of the other two, who were Germans. She had only one relative living, and he was in the American Army, and yet she could not get over to him. We heard one man say he would not make a contract with Mr. Winter because he was a German. Gentlemen of the committee, Mr. Winter is American born and thoroughly American, through and through. His father came to this country with Carl Schurz and Franz Siegel many years ago because they would not live under Emperor William, when he came on the throne, and they never went back to Germany. If there ever was an enthusiastic and patriotic American it is Mr. Winter, and—

Senator WATSON (interposing). Well, Mr. McCook, that is not necessary here.

Mr. McCook. I thought it was just to say this in his behalf in view of what had been said.

Senator WATSON. I never heard anything stated against him.

Mr. McCook. It was stated before the Ways and Means Committee of the House that the reason they wouldn't make a contract with us was because Mr. Winter was a German. We were not getting magnesite on equal terms with northwestern magnesite, and that was given as the reason.

Senator WATSON. Well, we do not care to go into that. Is that all?

Mr. McCook. Yes, sir.

Mr. MESSERSMITH. I would like to make a short statement.

Senator WATSON. We will hear you just as soon as we hear these gentlemen.

Mr. MESSERSMITH. I do not wish to take up your time but would like to have my statement considered in this connection.

#### STATEMENT OF WESLEYEN MESSERSMITH, ESQ., COUNSEL, AMERICAN CARBONATE CO.

Mr. MESSERSMITH. The interest of the American Carbonate Co. in this bill arises from the fact that this company is the owner of extensive magnesite mines on the island of Santa Margarita, off the coast of Venezuela.

This company is an American company incorporated under the laws of the State of New York, having an office in New York City. It has the exclusive control of the output of the Venezuelan mines. Title of the mines is held in the name of the Magnesite Mining & Manufacturing Co., which is also an American corporation incorporated under the laws of the State of Delaware. This company also carries on the actual work of mining and shipping the magnesite in Venezuela.

The tax which is provided for by the proposed bill is so high that users of magnesite in the United States would be unable to pay the price which would have to be charged for this Venezuelan magnesite in the United States.

Many years ago, when the only practical source of supply for magnesite was Greece, much difficulty was encountered in obtaining regular and sufficient supplies from Greece. Our company therefore made extended and careful investigations as to other possible sources of supply. The result was that the officers of the company came to the conclusion that the Venezuelan magnesite was of the best quality and most readily obtainable in sufficient quantities for use in the eastern part of the United States. Accordingly the company invested large sums of money in acquiring the necessary mining rights and facilities, building a railroad and otherwise preparing for the mining and shipment of magnesite from Venezuela to the United States on a large scale. The company never intended nor has it at any time exported the Venezuelan magnesite to any other part of the world than the United States. The investment of the company in connection with its mining properties in Venezuela, including installation of a railway, purchase and building of lighters and tugs, obtaining mining rights, etc., approximates \$300,000. This entire undertaking and the investment of the company's capital was for the sole reason of supplying the eastern market of the United States, more particularly the eastern section, with a raw material of good quality at a reasonable cost and in sufficient quantity to supply the ever-growing requirements for this product.

Magnesite in one form or another is at the present time used in the following industries and for the following purposes:

1. For the steel industry, to wit, in the manufacture of refractory bricks; also in the copper smelting industry for lining converters.
2. For the manufacture of carbonic-acid gas.
3. For fireproofing and fire-protection purposes.
4. For the paint industry (fireproof paint for aeroplanes, etc.).
5. For the manufacture of magnesium chloride.
6. For the building industry. (In the production of artificial marble, stone, sanitary and fireproof flooring, ornaments, stucco work and for many other building material purposes.)
7. For the manufacture of millstones.
8. For the manufacture of sulphate of magnesium, known as Epsom salts, for medicinal, technical and commercial purposes.
9. As an antidote against arsenic poisoning.
10. Many other articles of great commercial value can be produced from magnesite, as for instance, asbestos wood switch-boards, steam pipe insulation, refrigerator insulation, etc.

All the various industries enumerated in the foregoing list are vitally interested in obtaining a proper quality of this essential raw material at a reasonable cost and in dependable quantities. Up to within a short time ago many of these industries were established and carried on in the United States and particularly in the eastern part of the United States on the basis of obtaining their raw material from Italy, Greece and Venezuela, and any material change in price would seriously affect many of these industries and in some instances cause the to entirely abandon the manufacture of goods involving the use of magnesite.

These industries are scattered throughout the United States, represent very large investments of capital and employ many thousands of laborers. All these interests would be most seriously affected by the passage of the proposed bill, the invested capital would be jeopardized and labor lose a profitable employment. On the other hand, the only ones to benefit by this bill would be a small coterie of mine prospectors who have really only begun their operations, but who, because of this high tariff, would be able to charge very high prices for their magnesite and thereby reap enormous profits at the cost of these various industries and of the ultimate consumer, the overtaxed public.

The duty proposed by the pending bill would compel this company to add the sum of \$10 a ton to the price which it charges for crude magnesite. Such an increase would make the purchase of this material from our company impossible for most of the industries to whom this company sells, with a result that the entire undertaking in Venezuela would have to be abandoned with a consequent loss of over \$300,000 of actual American money invested therein and also a much greater loss to the various industries affected by the failure to obtain this necessary raw material. The imposition of this duty will result in such an increase in the price of magnesite from the mines on the Pacific Coast and

the very high cost of freight to the Eastern Seaboard, that the various manufacturers will not be able to make use of it with any possibility of profit on the final manufactured articles.

It should be remembered that the use of magnesite in many industries, particularly the building industry, is only in its infancy and should not be wiped out or hampered in its development by a duty which, under prevailing conditions, is not needed. The imposition of the tax would be an incentive to domestic producers to raise their price and would be an unnecessary and unjust hardship to the consumer.

As a matter of fact, however, 90 per cent of the product from the western mines is marketed in the Western and Middle States, to wit, in Chicago, Cleveland, Pittsburgh, and thereabouts, to which points the freight rates are from \$3 to \$6 less than the rates claimed by the proponents of the bill.

Again, in submitting comparative figures of foreign magnesite, the proponents of the bill have used the lowest prewar figures on record. At the present time magnesite could not be brought into the United States at any price which would make competition with the western magnesite possible beyond the eastern portion of the United States. The cost of production of foreign magnesite has doubled and trebled since the time that the figures named by the proponents of the bill for foreign magnesite were in effect, and freight rates have also been increased as much as four times the prewar rates.

Calined magnesite, unground, was sold shortly before the war at \$25 to \$30 per ton at Atlantic ports, and prewar prices for calined magnesite, ground material, was sold at eastern ports at \$28 to \$34 per ton. This product could not be sold to-day for less than \$45 to \$50 in the United States.

The Atlantic port cities and inland freight rates on calined magnesite to centers such as Pittsburgh, Chicago, and Cleveland, where the production of the western magnesite producers is sold, are as follows:

	Per ton.
New York to Pittsburgh.....	\$3. 00
New York to Chicago.....	7. 50
New York to Cleveland.....	5. 30

The following comparative table gives the comparative cost of western calined magnesite and foreign calined magnesite at Pittsburgh, Cleveland, and Chicago. This table is based on a price of \$45 to \$50 per ton for the foreign magnesite at eastern ports with the foregoing freight rates added, and the cost of the western magnesite is based on the figures given by these producers at their cost at the mines, to wit, \$32 per ton with freight rates added as follows:

	Per ton.
To Pittsburgh.....	\$14. 50
To Cleveland.....	12. 00
To Chicago.....	10. 00

*Comparative cost of calined magnesite.*

	Western.	Foreign.
Pittsburgh.....	\$16. 50	\$18. 60 to \$31. 60
Cleveland.....	41. 00	30. 30 to 55. 50
Chicago.....	42. 00	52. 50 to 57. 50

A similar comparative table follows as to comparative cost of crude magnesite. The cost of our crude magnesite put on board of steamer in Venezuela is approximately \$6 per ton. The freight rate to the United States port ranges from \$12 to \$13, which brings the cost of the material, delivered to Atlantic ports on board of vessels, to \$18 to \$19 per ton. To this price an unloading charge of \$1 to \$1.50 must be added, and inland freight rates from Atlantic ports to Pittsburgh, Cleveland, and Chicago amount to \$3.60 to \$7.50 per ton. The California and Washington crude magnesite sells at \$9 to \$11 per ton f. o. b. California and Washington points and their freight rates to Pittsburgh, Cleveland, and Chicago are \$4.50, \$12, and \$10, respectively. The price of \$9 to \$11 f. o. b. California points constitutes selling price and therefore contains a profit.

*Comparative cost of crude magnesite.*

	Western.	Venezuelan.
Pittsburgh.....	\$23.50-\$25.50	\$23.10-\$24.10
Cleveland.....	21.00- 23.00	24.80- 25.80
Chicago.....	19.00- 21.00	27.00- 28.00

From the foregoing comparative table it will be readily seen that the Venezuelan magnesite delivered in Central and Western States is even without the imposition of any tax more expensive than the magnesite shipped from California and Washington.

Sale of Venezuelan magnesite has thus far been entirely in the crude, unburned, and uncalcined states. Its sale has been restricted entirely to the Eastern part of the United States. Its sale farther West has been and will be quite impossible even without any tariff, because with high freight rates added the charge for western magnesite in this territory is much less than would have to be charged for the Venezuelan magnesite. It is contended that there is a very large market for magnesite in the United States and that both domestic and foreign can find a ready market here without the aid of any tariff. The sale of a foreign magnesite will always be restricted to the eastern part of the United States and the remaining central and western sections offer a market for the western magnesite which is more than large enough to enable western mine owners to market their output at a substantial profit, even though there is no duty levied on imported magnesite.

The provisions of the proposed bill discriminate against the importation of magnesite ore uncalcined, as will appear from the following calculations:

It takes 2 tons of magnesite ore to manufacture one ton of calcined magnesite. The freight on magnesite ore from Venezuela to New York is about \$10 per ton. It would, therefore, cost \$20 to deliver 2 tons of magnesite ore in New York. The proposed duty of one-half cent a pound on 2 tons is \$20. Consequently it would cost \$40 to deliver 2 tons of magnesite ore in the United States and from which 1 ton of calcined magnesite can be produced.

The freight on one ton of calcined magnesite would be \$10 and the duty of three-fourths of a cent would be \$15, making a total of \$25 as the cost of delivering 1 ton of calcined magnesite in the United States as against \$40 for delivering 2 tons of magnesite ore necessary to produce 1 ton of calcined magnesite. A natural result of this discrimination would be that the magnesite ore would be calcined in foreign countries and thereby deprive American industry of a substantial income in the way of labor, cost, machinery, factories, etc.

In order to equalize the duty for magnesite ore and calcined magnesite, it is, therefore, suggested that the duty on raw magnesite should be one-eighth of a cent per pound. This would put the imported magnesite ore on an even footing with imported calcined magnesite.

Investment of American capital by the American Carbonate Co., organized and conducted by American citizens, was made in the best of faith when eastern manufacturers needed crude magnesite. This Venezuelan magnesite can be sold only to the United States. It could not possibly be exported to Europe to compete with Austrian, Italian, and Grecian magnesite. To supply the demand in the United States this company invested its capital and devoted its energy in developing this magnesite deposit in South America for the benefit not only of itself but also other American manufacturers. It is contended that it should not now be penalized for its industry in undertaking this work by the imposition of a duty which will cause an absolute and entire loss of its entire business. On the other hand, the imposition of such a high duty is not at all necessary to enable the magnesite from the Western States to be sold in competition with Venezuelan magnesite with a substantial profit for the western magnesite.

After having had years of hard, pioneer work in laying the foundation for this industry, we imported a few ship loads of magnesite into the United States in the years 1911, 1912, and 1913. In 1915, 1916, and 1917 regular monthly shipments were made, however, at little or no profit, owing to the high freight rates due to war conditions. In 1918 activities became dormant, at a great financial loss to ourselves, owing to an embargo placed upon the importation of

foreign magnesite due to the scarcity of ships, which at that time were taken over by the Government and used in its efforts to win the war. Now, in 1919, when we have again begun operations in our mines, expecting to resume shipments to the United States, so as to realize on our investment and recoup our losses, we are confronted with this bill H. R. 5218, which, if enacted, means the ruin of our business, and complete loss of our investment.

**Mr. BURKE.** Mr. Chairman, Mr. Mossman, who is the auditor and vice-president of the American Refractories Co., and who went to Europe and investigated this matter, is familiar with cost charges, and I would like for the committee to hear him.

**Senator WATSON.** All right, the committee will be glad to hear Mr. Mossman.

**STATEMENT OF MR. PAUL B. MOSSMAN, VICE PRESIDENT OF THE AMERICAN REFRACTORIES CO., PITTSBURGH, PA.**

**Mr. MOSSMAN.** All estimates of comparative cost between the foreign and the domestic product have been made by the proponents of the bill on the assumption that the destination of magnesite is the Atlantic seaboard. About 50 per cent of the magnesite grain is shipped to the brick plants to be manufactured into magnesite brick, and the remaining 50 per cent is shipped in grain form directly to the steel or copper plants, where it is used in making bottoms of the furnaces in which the metals are treated. The brick plants are—

**Senator CURTIS (interposing).** What about the production in California; isn't it shipped principally to Chicago?

**Mr. MOSSMAN.** There is no magnesite shipped from California at the present time for refractory purposes.

**Senator CURTIS.** You are speaking only about magnesite for refractory purposes?

**Mr. MOSSMAN.** Yes, sir. The California product, as I understand, is entirely for the regular trade at the present time. It was used for refractory purposes before the discovery of magnesite in the Washington field, and because it was the only available material. With the development of the industry in Washington under free and competitive conditions, it is inevitable that other plants will be erected either by the producing company or by others, in such close proximity to the deposits of raw material as to have the benefit of the resulting low freight rates. I believe I did not finish my statement that the brick plants are at present located in Pennsylvania and at Baltimore, Md. It is obvious that it would be a wasteful practice that could not be continued to ship magnesite from Washington to Pennsylvania or Maryland and then ship the products back as far west as California, which we are doing.

That portion of the magnesite production which is shipped in grain form directly to the steel and copper plants is shipped to basic open-hearth steel plants existing in territories from Worcester, Mass., to Seattle, Wash.; from Atlanta, Ga., to Los Angeles, Calif.; from Duluth, Minn., to Birmingham, Ala.; and to Canada and Mexico. It is a well-known fact that the center of production of steel in the United States is in the neighborhood of the Indiana-Ohio State line, and in view of the fact that there is a very large consumption of magnesite used in the copper smelting industry in the Rocky Mountain States, it is fair to assume that the center of consumption of magnesite grain is west of the center of steel production.

The product of the Northwest Magnesite Co. has a market and is extensively used in the steel works of Los Angeles, San Francisco, Portland, Seattle, as well as in Colorado and in Mexico; and in the copper smelters of California, Washington, British Columbia, Mexico, Arizona, Texas, Utah, Montana, Nebraska, and Kansas.

We are unable to present national statistics to show the exact consumption of magnesite in the different States of the Union for the reason that such statistics are not compiled, but from our own records we have prepared a résumé of our shipments for the years 1916, 1917, and 1918, with the following results:

	Per cent.
Shipments to points east of the Indiana-Ohio State line.....	52
Shipments to points west of the Indiana-Ohio State line.....	48

100

As a matter of fact 30½ per cent of our total shipments during the above years went to destinations north, west, and south of the Mississippi River, 26 per cent going to points in the United States west of the Mississippi.

Therefore, in determining the comparative cost of the foreign and the domestic material, the Atlantic seaboard can not be fixed in estimating freight tariffs as the average point of destination.

I have prepared a map showing the principal consuming points of magnesite in the United States, with the respective freight rates from New York and from Chewelah, the latter point being the only domestic source of production. In the Pacific coast territory no commodity rates have been established, and any movements are on class rates. If commodity rates were established they would be considerably lower than those shown. In the district west of the Indiana-Ohio State line the domestic producer enjoys an advantage of from \$9.36 to \$27.76 a ton over the delivered cost of the imported article. In the territory from Harrisburg, Pa., to the Indiana-Ohio State line the domestic producer enjoys an advantage of from \$2.16 to \$6.86 per ton over the imported article. On the Atlantic seaboard the domestic producer enjoys an advantage of from \$1.06 to \$3.76 per ton over the imported article. You will find all that shown in the zones laid out on the map which has been placed before you.

Senator THOMAS. I notice that the rates from Chewelah to Denver and also to Kansas City are about the same?

Mr. MOSSMAN. Yes.

Senator THOMAS. The rate from Chewelah to Charles City, in Iowa, is identical with the rate to Denver, which is only one-half the distance?

Mr. MOSSMAN. That is true; and the rate from Chewelah to Denver is the same as it is to Chicago.

Senator THOMAS. I merely wished to emphasize that to show the way the railroads have been and are discriminating in favor of points that have not even potential water transportation.

Mr. MOSSMAN. You will note the rates in Arizona are very high from Chewelah, \$17.90.

Senator THOMAS. Yes.

Mr. MOSSMAN. That is a class rate, however; and, as I have stated, if they made application for commodity rates that would be greatly reduced.

Senator WATSON. Inasmuch as Senator Thomas has finished that line you may proceed, Mr. Mossman.

Mr. MOSSMAN. The following is a statement of the actual cost of all the magnesite imported by the American Refractories Co. from its Austrian plants during the year 1919, amounting to 7,508 net tons, delivered at Baltimore, Md.—and I might say right there that this is the only importation of magnesite from Austria since the armistice, being the tonnage we brought over:

Total cost per net ton f. o. b. Trieste (includes only expenses incurred and paid for in Austria).....	\$21.06
Ocean freight.....	6.45
General expenses, insurance, entry fees, etc., incurred and paid for in United States of America in connection with these shipments.....	2.82
Rail freight from vessels to Baltimore works.....	1.06
Fuel purchases in Europe effected from and paid for in United States of America, not included in above works costs.....	1.94

We had to buy coal with American dollars, because we could not buy it with Austrian currency.

Food and clothing purchases effected from and paid for in United States of America, not included in above works cost but distributed among workmen in part payment of wages.....	\$2.98
--	--------

Total cost per net ton at United States Atlantic seaboard points.... 36.31

(NOTE.—To arrive at cost on vessel, deduct freight from vessels to Baltimore works): .....	1.06
--	------

Cost on vessel..... 35.25

The following statement shows the comparison between the cost of domestic and imported magnesite delivered at various destinations, in connection with which we again emphasize the fact that the average destination is not the Atlantic seaboard but is some point west of the Indiana-Ohio State line. In this computation we have accepted the cost of the Northwest Co. as claimed by their representatives (Ways and Means Committee hearings, p. 18), including the excessive charges for depletion and depreciation, and have taken the Austrian cost without including a dollar of profit to the Austrian operation.

*Comparative delivered costs of domestic and imported magnesite, Atlantic seaboard destinations.*

Chewelah cost f. o. b. cars.....	\$21.00
Freight, Chewelah to Atlantic seaboard.....	16.06

Chewelah cost delivered.....	37.15
Import costs at Atlantic seaboard (on vessel).....	\$35.25
Import rail freight to average seaboard destination.....	2.00
	37.25

Domestic advantage over import..... .10

*Pittsburgh-Chewelah district.*

Chewelah cost f. o. b. cars.....	21.09
Freight Chewelah to Pittsburgh-Cleveland district.....	14.21

Chewelah cost delivered.....	35.30
Import cost at Atlantic seaboard (on vessel).....	\$35.25
Import rail freight to Pittsburgh-Cleveland district.....	4.00
	39.25

Domestic advantage over import..... 3.95

Senator CURTIS. How much do you figure was the ocean transportation in that calculation?

Mr. MOSSMAN. \$6.45 per ton.

Senator CURTIS. That is at this time?

Mr. MOSSMAN. Yes; at this time.

Senator CURTIS. What was it before the war?

Mr. MOSSMAN. About \$2.

Senator CURTIS. And some of it you brought as ballast, didn't you?

Mr. MOSSMAN. No, sir. We paid for it. It was used as ballast but we paid for it at the rate of \$2 a ton.

Senator CURTIS. Is that the last you brought?

Mr. MOSSMAN. Yes, sir.

Senator CURTIS. What is the least price you have sold it at since the the war?

Mr. MOSSMAN. We have not sold any material except 2,000 tons that Mr. McCook mentioned having given to a corporation in completion of a contract.

Senator CURTIS. Have you some of the product here now?

Mr. MOSSMAN. Yes, sir.

Senator CURTIS. Ready for sale?

Mr. MOSSMAN. No, sir; not ready for sale. We have not enough to sell it as grain material. We have to use it all for brick making, and at that we are very short.

Continuing our comparisons:

*Chicago-St. Louis district.*

Chewelah cost f. o. b. cars.....	\$21.09
Freight Chewelah to Chicago-St. Louis.....	12.87
	<hr/>
Chewelah cost delivered.....	33.96
Import cost at Atlantic seaboard (on vessel).....	\$35.25
Import rail freight to Chicago-St. Louis district.....	7.00
	<hr/>
	42.25
	<hr/>
Domestic advantage over import.....	8.29

*Montana Copper district.*

Chewelah cost f. o. b. cars.....	\$21.09
Freight Chewelah to Montana points.....	9.53
	<hr/>
Chewelah cost delivered.....	30.67
Import cost at Atlantic seaboard (on vessel).....	\$35.25
Import rail freight to Montana points.....	16.79
	<hr/>
	25.04
	<hr/>
Domestic advantage over import.....	21.37

On page 7 of the Senate hearings, Mr. Bishop submitted a communication said to have been received from the United States consul general at Vienna saying that the total cost of production of magnesite in Austria is \$12.30 per ton, f. o. b. Trieste, not including profit, and that the selling price is \$40 per ton.

Inasmuch as there have been no exports of magnesite from Trieste since the armistice, except the 6,867 tons exported by the American Refractories Co., not a ton of which was sold at Trieste, there can be no established price at that point, so that, the information as to selling price is entirely incorrect. And if there were such a profit at Trieste none of it would be shipped to America.

Senator CURTIS. Do you believe that the American consul at Trieste deliberately prepared that communication?

Mr. MOSSMAN. No; and I am coming to that, Senator.

As to the cost of production reported by the consul general we, of course, have no information as to the source of his figures, further than that up to the time his letter appears to have been written no information had been sought at the office of the American Refractories Co. in Austria.

In August 1919, Mr. J. D. Billard, a director of the American Refractories Co., then in Europe, prepared a statement of our costs there, so far as the information then available to him would permit, and applying to production prior to August 1, 1919. A copy of this statement is submitted herewith.

*Sintermagnesite.*

[Self costs per ton f. o. b. Trieste.]

Total operating cost, including raw material.....	\$12.30
General expenses, including interests, etc.....	2.18
<b>Total producing costs.....</b>	<b>14.48</b>
Depreciation and depletion.....	3.21
Freight and handling Radenthein-Triest.....	4.25
<b>Total costs f. o. b. Trieste.....</b>	<b>21.94</b>

AMERICAN CONSULATE,

*Trieste, ss:*

Before me, Ralph C. Busser, American consul at Trieste, personally appeared Mr. Joseph D. Billard, an American citizen, who being duly affirmed deposes and says that the above figures, viz, \$21.94 per ton, given as cost of dead-burned magnesite produced at Radenthein, in Karnten, German Austria, are true and correct.

J. D. BILLARD.

(U. S. consulate seal.)

No. 242.

Affirmed and subscribed before me this 20th day of August, 1919.

RALPH C. BUSSER,

*Consul of the United States of America.*

(\$2 fee stamp.)

It will be noted that Mr. Billard's statement showed the total operating cost, including raw material, to be \$12.30 per ton, the exact amount reported by the consul. This figure, however, did not include general expenses, depreciation, and depletion or freight and handling charges to Trieste, which bring the cost to \$21.94. In view of the fact that the statement was sworn to by Mr. Billard at the United States consulate at Trieste, it is probable that it was reported to the consul general at Vienna, who by error took the figure of \$12.30 and reported it as if it represented the total cost.

It may be remarked here that conditions in Austria since July, 1919, have become much worse and the difficulties of industrial operations have greatly increased the expense of conducting our business.

There is no basis for a comparison of prewar costs, for the reason that the Washington industry was not in existence prior to 1916. If it be said that the high cost of the Austrian product is due to abnormal conditions, the answer is that the conditions in the United States are also abnormal compared with prewar conditions. It is

fair to assume that if conditions tend to return to the prewar status the movement will be world-wide and the change taking place in all countries will not affect the comparison of costs as stated above. The cost of this material is now more than double even the prewar times.

Senator CURTIS. Yes; but you do not expect as great a reduction in the wage scale here as you do in Austria?

Mr. MOSSMAN. I would hate to make any prophecy as to what it will be.

Senator CURTIS. Your company announces that they do not want money, but that it has to feed them.

Mr. MOSSMAN. We wish we could pay them in kronens; it would be much cheaper.

Senator THOMAS. Oh, yes, at the depreciated value of the kronen, but you would have to make it up in amount?

Mr. MOSSMAN. Yes.

That conditions with respect to costs are growing worse is indicated by the following item taken from the Commerce Reports No. 286, dated December 6, 1919, page 1331, as follows:

Vice Consul O'Hara cables from Trieste that the Austrian railways have notified Trieste commercial organizations that they will be forced to increase the railway tariffs on account of the high price of coal.

Senator CURTIS. Where did you get your coal before the war?

Mr. MOSSMAN. We shipped a part of it from England and a part of it from Bohemia, or rather Silesia.

On that subject I clipped this from the New York Times of January 10:

#### NOT ENOUGH BUNKER COAL.

Reports from the other side that foreign and British tonnage has been held up in the Port of London for lack of bunker coal have not caused as much surprise in local shipping circles as might have been expected. It has been expected for some weeks that not only would bunker coal advance in price, but that as the demand increased the supply would fall to meet it. According to cable advices, bunker coal has sold in that port at prohibitive prices recently, with some agents bidding eagerly without securing their requirements, simply because the coal was not to be had for any price.

If England has not coal enough to bunker her own ships she is not going to ship coal to Greece or Austria to calcine magnesite for the United States.

The fact is that up to the outbreak of the war the American Refractories Co. had never received one dollar of return upon its large investment in the Austrian operation, nor had it accumulated any profits, but on the contrary the operation had lost money, without charging off depletion. No profits were included in the price of \$15.75.

Senator CURTIS. You claim that you have been losing money there all the time?

Mr. MOSSMAN. We claim that we lost money there up to the outbreak of the war in 1914.

Senator CURTIS. And have been losing money since, haven't you?

Mr. MOSSMAN. Well, we have, yes.

Senator CURTIS. Maybe that is the reason why you would like to buy this American company?

Mr. MOSSMAN. Well, that is one of the reasons.

Mr. BURKE. Isn't it a fact that the money that was assigned by the Austrian Government to the credit of your company has now depreciated to an extent that the profit is entirely wiped out?

Mr. MOSSMAN. Oh, yes. As Mr. McCook testified, it is wiped out, practically. A couple of million kronens in bank is worth not much more than tissue paper.

Senator CURTIS. You ought to have gotten it over here.

Mr. MOSSMAN. We did not know we had it.

Senator CURTIS. You could not get it here?

Mr. MOSSMAN. We did not know we had it.

Mr. BURKE. And not only have the profits been wiped out but there has been a depreciation of your plant?

Mr. MOSSMAN. Yes.

It has been testified that the material recently imported into the United States, when invoiced at \$29, is greatly in excess of its cost and that this would indicate that the Austrians are basing their selling price in the United States not upon their actual cost but at a price that will permit them to undersell the American product, the cost of which is just now available to them (see p. 7, Senate hearing). The Austrians have invoiced no magnesite to the United States. The only importations from that country since the armistice are those of the American Refractories Co. from its own operation, and even on these actual costs can not be determined with precision, inasmuch as great expense for the account of the foreign operation has been incurred by the American Refractories Co. in the United States in the purchase of food, clothing, and coal shipped to Austria in order to make possible any production at all.

Furthermore, all of the importations have been made by the American Refractories Co., from its own plant, and invoiced to itself, and there was no reason whatever for it to invoice at a price which would just undersell the American product, as claimed by Mr. Bishop.

Mr. Bishop has testified that since the hearing in July, 1919, before the Ways and Means Committee, several thousand tons per month have been imported into the United States. This is not the fact. The importations have been as follows, the dates being approximate arrivals at United States Atlantic ports:

	Tons.
July 20, 1919, S/S Tollard.....	330
Aug. 20, 1919, S/S Emella.....	598
Aug. 20, 1919, S/S Argentina.....	403
Sept. 29, 1919, S/S Marianne.....	2,191
Sept. 29, 1919, S/S Pres. Wilson.....	522
Oct. 29, 1919, S/S Argentina.....	465
Dec. 22, 1919, S/S Emella.....	2,358
	6,867

This is an average per month of 1,144.5 tons and had it not been for these imports the American Refractories Co.'s brickworks at Baltimore, Md., would have been completely shut down for the past several months on account of its inability to buy its requirements from the Northwest Magnesite Co., there being no other source of supply.

With respect to importations from Greece, the American Refractories Co. is unable to present first-hand statistics. That conditions

in Greece will not soon be changed is indicated by the following quotation from the Commerce Reports No. 7-a issued by the Department of Commerce, dated November 6, 1919, at page 27:

There has been no production of calcined magnesite since the early part of 1915, when work was suspended on account of lack of fuel for the calcinating process.

Senator WATSON. You do not use any from Greece anyhow?

Mr. MOSSMAN. Not at the present time, but we did in 1916.

On page 8, Senate hearings, Mr. Bishop states that the American operations closed down as a consequence of a weak market, due to the expectation of Austrian imports. The reaction in the demand for magnesite products after the armistice was similar to that in many other lines, including fire brick, silica brick and other refractories as well as many other products. Many lines of manufacture for months after the armistice operated at greatly reduced capacity, and in our own case as low as 25 per cent, so that it would be only natural that the same effect should be felt in the magnesite industry.

The steel and copper industries in particular were carrying very large stocks of all kinds of refractories and other supplies before the armistice, and what was equivalent to a three or four months' supply before the armistice. As to all magnesite operations in the United States, with the exception of the Northwest Magnesite Co., there must be added the fact that their business was substantially destroyed the moment the Northwest Co. entered the field, being unable to compete with that company because of the former's high costs and the deficient quality of their product. There was absolutely no necessity for the shutting down of the plant of the Northwest Magnesite Co. in May, 1919, as in that month the American Refractories Co. tried to buy from them 750 tons of dead burned magnesite which they refused to sell. It will not be disputed that another refractories company agreed at that time to take the output of one kiln, amounting to approximately 2,000 tons per month, in order to keep this plant in operation. These two orders would have given sufficient business to employ 35 to 40 per cent of the capacity at a profitable price.

Senator WATSON. Why did they shut down?

Mr. MOSSMAN. Because it did not suit their tariff plans as near as I can figure out.

Senator WATSON. Do you think they deliberately closed down their plants and ceased making money just in order to get a tariff?

Mr. MOSSMAN. It appeared so at the time. They had material in their warehouse but refused to sell it to us. They started up immediately after the Ways and Means Committee hearing, on a large contract.

Senator THOMAS. This offer of yours was at what price?

Mr. MOSSMAN. At that time we were paying around \$26 and \$28 a ton.

Senator THOMAS. Were you buying from them before?

Mr. MOSSMAN. Yes, sir.

Senator THOMAS. At the same price?

Mr. MOSSMAN. Yes, sir; under a sliding scale point of view.

Senator WATSON. Sliding up or sliding down?

Mr. MOSSMAN. Sliding down

Senator WATSON. What excuse did they give you for not supplying your wants,

Mr. MOSSMAN. They did not give us any excuse, simply that they were shutting down to adjust their labor situation.

Senator WATSON. Do you know whether or not they had a strike or labor trouble?

Mr. MOSSMAN. No; I do not.

Senator WATSON. You do not know about that?

Mr. MOSSMAN. No.

Senator WATSON. If you do not know that they did not have labor difficulties, as they said, do not you think it is a somewhat broad and sweeping statement to say that they shut down their works and declined to sell you anything in order to get a tariff?

Mr. MOSSMAN. No; I do not say so. I simply mention the situation existing at the time of their refusing to sell us and their starting up immediately after the Ways and Means Committee hearing.

As to the earnings that the domestic operators have been able to make I would like to present an estimate.

Mr. BURKE. Inasmuch as that is covered by the other operators along the Pacific coast and Mr. Billard is going to cover those entire questions. I think Mr. McCook agrees with me that that would be a duplication. It is also in our brief.

Senator WATSON. Well, we do not want any duplications.

Judge COVINGTON. It is demonstrated in there that that concern can exist at the present time without the tariff owing to the difference in cost of production here and abroad.

Mr. MOSSMAN. The shutting off of importations of magnesite by the war has already resulted in a substantial domination and control of the market in the United States by a single company. At the present time there is about 15 per cent of the total consumption of the United States that is imported from Austria, and conditions as they now exist furnish a fair picture of what they would be in event of enactment of this bill, except that then the 15 per cent that is now imported would be excluded.

Senator CURTIS. If conditions were to settle down you people could import your products the same as you did before the war?

Mr. MCCOOK. Why shouldn't we?

Mr. MOSSMAN. We could if we could reestablish the prewar costs, which we have no reason to believe we would be able to do.

Since resuming operations—

Senator CURTIS (interposing). Tell me what you were selling brick for prior to the war.

Mr. MOSSMAN. The price of magnesite brick prior to the war was about \$25 a ton.

Senator CURTIS. Wasn't it \$40 a ton?

Mr. MOSSMAN. No.

Senator CURTIS. When did you get \$40 a ton?

Mr. MOSSMAN. Well, after importations were shut off, after the war broke out in 1914.

Senator CURTIS. What did you get for them after everything was shut off.

Mr. MOSSMAN. The price of magnesite brick gradually advanced from \$25 a ton to as high as \$135 a ton.

Senator CURTIS. What is the price of brick now?

Mr. MOSSMAN. Our price is \$80 a ton f. o. b. Baltimore.

Senator THOMAS. When you say your price do you mean you are the only producer?

Mr. MOSSMAN. Oh, no. There are several producers. For the domestic material that we have been buying we have been paying \$30 a ton at Chevelah and it cost us \$16 a ton freight, a total of \$46 a ton for the material alone; and the cost of manufacture of brick is in the neighborhood of \$25 a ton, so you can see there is not much profit in them at \$80 a ton.

Senator THOMAS. What was your average wage that you paid your people in Austria prior to the war?

Mr. MOSSMAN. In the neighborhood of a dollar a day, from a dollar to \$1.10 a day. As Mr. McCook stated to you at that same time, in 1914, when the war broke out and up to 1915, we were paying common labor in the Chicago district \$1.70 to \$1.80 a day, and in Pennsylvania it is even less than that.

Senator THOMAS. The same grade of labor?

Mr. MOSSMAN. No; a better grade of labor.

Senator THOMAS. The same general kind of labor?

Mr. MOSSMAN. Yes, sir; it was common labor.

Senator THOMAS. How much common labor and how much skilled labor did you use, in what proportions?

Mr. MOSSMAN. In the production of magnesite it is pretty hard to tell; it is practically all common labor.

Senator WATSON. What wages are you paying now?

Mr. MOSSMAN. In the Chicago district we are now paying \$4.75 a day for common labor, and at Baltimore.

#### STATEMENT OF MR. SAMUEL H. DOLBEAR, CONSULTING AND MINING ENGINEER, SAN FRANCISCO, CALIF.

Senator WATSON. Please state your name and occupation, and where you live.

Mr. DOLBEAR. I am a consulting and mining engineer, residing at San Francisco. I have been retained by the American Refractories Co., who requested that I visit, in December and January, the producing magnesite mines of California and Washington. I received my collegiate education at Tufts College and Clark University, in Worcester. I have been engaged in mining about 15 years, of which time about 12 years has been spent in consulting work. Most of my work during that period has been with so-called nonmetallic minerals, of which magnesite is one. During this period I have published a number of articles in the technical publications, such as the Engineering and Mining Journal and the Mining and Scientific Press, and for some years I have written the magnesite chapters of Mineral Industry, a book published annually by the Broadhill Publishing Co., which is cited by the Tariff Commission in its biography.

Senator WATSON. All having reference to magnesite?

Mr. DOLBEAR. All having reference to magnesite.

I will take up first the subject of the California deposits. My attention has been called to a list of producers which was submitted

in the hearings before the Ways and Means Committee of the House. That is published on pages 34, 35, 36 and 37 of the official report of those hearings. These so-called producers are numbered and in the following statement the numbers relate to the same numbers mentioned in that report. Where letters are used, they signify the first, second, third, etc., mentioned under one number in the sequence a, b, c, etc.

Those producers which are out of business are Nos. 5, 10, 11, 12, 18, 19, 20, 24, 27, 28, 35, 42, 43, 54, 61, 4a, 66, 73, 78, 79, 82, and 85.

Those so-called producers that had no mine and intended to operate no mine were Nos. 1, 2, 3, 4a, 4b, 28a, 45, 53, 61, and 72.

The following numbers are duplications; in other words the mines are listed as separate mines, but under different names, whereas they relate to the same properties: Nos. 5 and 6a, 12 and 13, 18 and 19, 23 and 30, 35 and 36, 40 and 41; 58, 59, and 60; 4a and 61; 63, 64, and 65; 71, 77, and 81.

Senator THOMAS. Do I understand those numbers each represent a producer?

Mr. DOLBEAR. They were listed as producers in the report of the hearings before the House Committee.

Senator THOMAS. It is going to be rather an active industry out there if they have that many.

Mr. DOLBEAR. Those which are unimportant prospects and not operating are Nos. 6b, 8b; 14, 15, 16, and 17; 20, 21, 25, 28b, 28c, 31, 32, 33; 48, 49, 50, and 51; 55; 74, 75, and 76; 83, 84; 67, 68, 69, and 70.

Those which are unknown to me—and I have visited all important properties, and, I think, most of those that are unimportant—were Nos. 7, 13b, 22, 29, 37, 38, 39, 47, and 56.

Those which to my own knowledge are too impure to be satisfactorily operated as magnesite deposits are Nos. 8a, 9, 23, 35, 40, 46, and 52.

Those that are operating properties are Nos. 13a, 80, 81; 58, 59, and 60—those three numbers being all consolidated into one mine; 63, 64, and 65—also consolidated into one mine; 26, 34, and 44.

No. 57 on the list is an importer and is not a domestic operator.

No. 62 is a potential operator; that is to say, could operate but is not operating.

As a summary of that, of the 60 or 70 names mentioned as producers there are 21 out of business, 10 have no mines, 13 are duplications, 28 are unimportant prospects, 9 are unknown to me, 7 are too impure to be commercially operated, one is an importer, one a potential operator, and 8 operating.

Senator WATSON. That is an extraordinary list. Why are the 10 fellows who have no mine at all listed as producers?

Mr. DOLBEAR. I do not know; that is an elastic designation.

Senator THOMAS. What do you call a potential operator?

Mr. DOLBEAR. One that has ore and is equipped to produce but is not producing.

Senator WATSON. How many producers are there?

Mr. DOLBEAR. There are eight mines operating.

Senator WATSON. Now?

Mr. DOLBEAR. Yes.

Senator WATSON. How many have operated at any time in the past?

Senator CURTIS. In California?

Senator WATSON. Yes; we are speaking now about California; what is the greatest number that have operated?

Mr. DOLBEAR. I suppose perhaps 100 have started up and become exhausted in the production of tonnages ranging from 10 tons upward.

Senator WATSON. So that at the present time there are eight producing mines.

Mr. DOLBEAR. Eight producing mines.

Senator WATSON. Have you visited all of those mines?

Mr. DOLBEAR. I have.

Senator WATSON. What are their potentialities?

Mr. DOLBEAR. Those eight producing mines are the Dinuba magnesite mine, the Ward magnesite mine, the Ingomar magnesite mine, the Tulare Mining Co., the Porterville Magnesite Co., the White Rock mine, the Hill magnesite group, and the Western Magnesite Development Co.

Under the Hill magnesite group is included the custom plant at Porterville, Calif., operated by the C. W. Hill Magnesite Co., which controls five small magnesite properties in that district, employing a total of about 15 men. I have grouped them because of their small size.

The summary of California production at the present time is this: The Tulare Mining Co. has a plant of two vertical kilns with a capacity of 18 tons of light-burned material daily, which is its working capacity. The Porterville Magnesite Co. has one rotary kiln with a capacity of about 70 tons of light-burned material per day, and producing an average of about 20 tons. The White Rock mine is equipped with 11 vertical kilns, having a capacity of about 55 tons daily of calcined magnesite and producing about 25 tons per day. The Western Magnesite Development Co. has four vertical kilns, of which two only are equipped to produce at this time. They have a capacity of 30 tons daily, and are producing about 15 tons. The Hill Magnesite Co. has two rotary kilns with a total capacity of about 80 tons daily, and actually producing about 20 tons per day.

The Hill Magnesite Co. employs about 23 men in its total operations—

Mr. BURKE. That makes a total of 253 tons. That is not dead-burned?

Mr. DOLBEAR. That is all light-burned. That is a total of 98 tons per day.

Mr. BURKE. What would that represent in dead-burned magnesite?

Mr. DOLBEAR. Approximately the same.

Senator WATSON. That is to say, there is none of that used to make brick for furnaces?

Mr. DOLBEAR. No, sir. The labor employed at the time of my visit was as follows:

The Tulare Mining Co. employs 79 men; the Porterville Magnesite Co., 75; the White Rock mine, 30; the Western Magnesite Development Co., 40; the Hill Magnesite Co., between its plant and

five subsidiary operations, about 40 men; in addition to which there are possibly, in scattered prospecting operations, 15 or 20 employed in scattering districts, making a total of 264 men in these producing operations, to which should be added 15, making the total employment in California 279. In Washington there are employed by the Northwest Magnesite Co. 230 men; by the American Mineral Products Co. about 50; by the Western Materials Co., about 30, making a total of 310.

I estimate that there is invested in calcining equipment in the State of California, among the properties listed, a total of about \$620,000.

Senator WATSON. What is the investment in Washington?

Mr. DOLBEAR. I have not estimated that.

Senator WATSON. Much larger, is it not?

Mr. DOLBEAR. Oh, yes. It is larger.

Mr. COVINGTON. We have another witness, Senator, who has made a particular examination of the Washington field.

Mr. DOLBEAR. The Porterville Magnesite Co., which is considered one of the principal producers, and has been one of the principal producers in the past, employ about 75 men. I visited their property on December 17. In addition to their production of about 30 tons of crude ore per day, they are purchasing some ore from outside districts, which is hauled by motor truck from the railroad at Porterville 45 miles to their calcining plant and burned there.

The mine is practically exhausted so far as ores are concerned. There is very little ore in sight, and the operation impressed me at the time of my visit as making a rather desperate attempt to continue production.

The mine is equipped with a rotary kiln, 7 feet in diameter and 125 feet in length, and it has a capacity of 60 or 70 tons of light-burned material daily.

The company attempted to manufacture dead-burned material in 1917, at which time I was at the plant of the company during the experiments. Their experiments resulted in failure; they did not succeed in making the product.

The Western Magnesite Development I visited on December 27, 1919. This operation is located about 30 miles from the town of Livermore, which is the point of rail shipment. The ore reserves of the company; that is to say, the ores in sight, are not large. The mine impressed me, however, that development would result in showing considerable ore.

The fuel used by the company is hauled in to the mine a distance of 30 miles, which is essentially an expensive operation. The mine is equipped with four kilns, two of which only have stacks, and these two are in operation, making, at the time of my visit, light-burned magnesite. I think the operation is intelligently handled.

The company gives its cost in its sworn statement at \$24.16 per net ton, f. o. b. cars, for light-burned material. It is rather remarkable that they should be able to reduce their cost to that figure.

The White Rock mine I visited on December 23. This is located about 22 miles from rail, at St. Helena, Calif. The ore reserves are very small, and unless the mine succeeds in developing some ore bodies that were not visible at the time of my visit, the mine will be exhausted after the production of a few thousand tons.

This is the only mine in which a character of magnesite has been produced which will result in dead-burned magnesite in the first operation. The mine is equipped with 11 vertical kilns, and they have succeeded in producing some dead-burned magnesite, which I am told is satisfactory in the manufacture of brick, although it is not so satisfactory for grain consumption. Their cost was stated to me to be \$28.22 per net ton f. o. b. rail.

The Tulare Mining Co., I visited on December 18, 1919. This company represents a consolidation of three mentioned in the list of producers—the Adams mine, the Tulare mine, and the Hawley mine. The mine is located on rail, on a branch line, a distance of about 15 miles from Porterville, Calif.

The management stated to me that they had 70,000 tons of magnesite in sight, and while I did not attempt to measure the ore body, it impressed me that that was a reasonable estimate.

The company is operating at numerous points on the property, and while it has made a statement of its cost—I presume that is the average cost—there must be considerable variation in the cost of working the various deposits. Some of the deposits are narrow veins, some are worked on seams just an inch or two wide, and there must be a great variation in cost of production. I assume that their average cost of production is that contained in the statement.

The company employs at its plant, which consists of two vertical kilns, 43 men, and at the mine 11 men, in addition to which the contractors who are engaged in getting out the ore employ 25 men, making a total of 79 men.

The company produces several grades of magnesite, and at the present time is confining its operation to producing exceptionally white material for the plastic trade. The main vein, while possessing considerable width, is cut by waste rock, and the superintendent stated that it was his opinion that the main vein would yield an average of from 9 to 16 feet of solid magnesite. The equipment was constructed, according to the superintendent's statement, for the purpose of reducing the gas content of the ore to 4 per cent, which is 3½ per cent more than that required for dead-burned magnesite. The mine is not capable of producing dead-burned magnesite.

The company gives its cost of production at \$24.97 per net ton for light-burned material.

My attention has been called to the estimate by Government engineers that the sources of magnesite in the United States were, in California 750,000 tons, and in Washington 7,000,000 tons. I made an examination of the Washington fields in 1917, at which time I estimated that if all the material shown me was magnesite of a commercial grade, the district would probably yield as much as 8,000,000 tons. This was during the early stage of development and before the character of the deposits was known.

It is now known that parts of the deposits are too impure to be valuable as magnesite and require sorting, which reduces the amount of ore available to some figure below that contained in the total mass. The amount actually available can be ascertained correctly only by diamond drilling. That has been done in one case by Mr. Bishop's company, the Finch mine, and I think Mr. Bishop informed me that he would develop 1,000,000 tons at the Finch quarry. Whether other

quarries are likely to result in the same percentage of commercial ore or not would not be a safe statement to make, and I feel that it is hazardous to estimate 7,000,000 tons in Washington without further development.

I do not come here to state that 7,000,000 tons may not be mined in Washington, but it is hazardous to make the statement that it has that ore reserve until it has been proven.

Senator CURTIS. Did the Geological Survey estimate that there were 8,000,000 tons in sight in the United States?

Mr. DOLBEAR. That combines California and Washington, I think. The actual figure is, I think, 7,750,000.

The fundamental difference between the California magnesite operations and those in Washington are due to the difference in character and size of the Washington deposits. The Washington deposits are massive in character and their size contrasts with the narrow-vein type of deposits that exist in California. This means that in Washington relatively deep quarry operations can be undertaken, while in California most of the mining is confined to narrow-vein underground methods. This necessarily results in a higher cost of production for California operators, and it is certain that California operators will not be able to reduce their costs to those that may be obtained by Washington operators.

Senator WATSON. Who is the next witness?

Mr. BURKE. Mr. Walker.

Mr. COVINGTON. Before Mr. Walker takes the stand, I think it will probably be admitted that the California magnesite is not competitive with Washington magnesite for refractories purposes. The fact of the matter is, that in May, 1918, the Northwest Magnesite Co. addressed a letter to the American Refractories Co. about a perfectly normal business operation, in which it concluded a survey of the California field with the statement that—

It is therefore apparent that so far as dead-burn is concerned there will be none offered from the State of California excepting as outlined above. Anyone buying calcine material or crude will, of course, increase the cost of dead-burn to such an extent that they will not be in competition with the Washington product.

I imagine there is no question about the fact that the calcine material in California is not capable of competing with the Washington product.

Senator WATSON. That is what I understand.

**STATEMENT OF MR. A. F. GREAVES-WALKER, MINING ENGINEER,  
REPRESENTING THE AMERICAN REFRACTORIES CO., PITTS-  
BURGH, PA.**

Mr. WALKER. For the purpose of qualifying myself, as my testimony will be of a more or less expert character, I will state my qualifications. I am at the present time magnesite expert for the American Refractories Co., and have held that position since early in 1917. I am a mining and ceramic engineer of Ohio State University, a member of the American Ceramic Association, the English Ceramic Association, and the Royal Society of Arts, and a fellow of the Utah Academy of Science. I have published several

booklets on refractories, and one technical volume on Ceramic Plant Construction and Operation.

Senator WATSON. What relation is there between ceramics and magnesite?

Mr. WALKER. The magnesite industry is a part of the general ceramic industry, the ceramic industry now covering all classes of brick manufacture and pottery ware, and that sort of thing. In fact, the ceramic industry of the United States takes in all of the non-metal industries, from a technical standpoint at least. The universities, at the present time, are teaching refractories under the head of ceramic engineering.

I was formerly lecturer in ceramics at the University of Toronto, and during the war was Chief of the Industrial Furnace Section of the United States Fuel Administration. So far as experience is concerned, I have had 15 years practical experience in the ceramic industry, principally in refractories. Part of that time was spent in Kentucky, Ohio, Utah, Maryland, Alabama, and Canada, so that I have covered the territory pretty well. My first experience with magnesite was in 1905, when I made some experiments for the Olive Hill Fire Brick Co., at Olive Hill, Ky., in an attempt to make special refractories. Later on, in Utah, for the Western Fire Clay Co., I made possibly one of the first attempts in this country to convert the California material into a product that would compete with the Austrian product.

Senator WATSON. How did you succeed?

Mr. WALKER. They were entirely unsuccessful at that time. Later on I became connected with the American Refractories Co. and built their magnesite plant—or took charge of the construction of their magnesite plant at Baltimore, Md. Since that time I have been devoting myself to the magnesite industry.

In 1918, in the month of November, I visited the State of Washington and examined the plant and quarries of the Northwestern Magnesite Co. That was just about the time, or just before Mr. Bishop came east to see our people. During this time I spent the months of November and December, 1919, in the magnesite district, making my headquarters at Chewelah, Wash., and during that time examined all the properties in that district, the plants, their production, etc.

The largest producer in the district is the Northwest Magnesite Co. They are the owners of three quarries, the Finch, the Keystone, and the Midnight. Of these only the Finch has been developed and explored. That is, the diamond drills have been put on the Finch property, and they know exactly what they have there; that is so far as salable material is concerned. Neither the Midnight or Keystone has been developed. At the present time they can merely be looked upon as prospects, and it is very probable that before they spend a cent of money in doing anything toward getting out any magnesite they will put the diamond drills to work.

The reduction plant of the company at Chewelah is the only dead-burning plant in the United States—the only plant equipped to burn dead-burn magnesite cheaply in the United States. There is no other in the district, and there is no other that I know of outside of the one we recently operated ourselves at Bellefontaine,

Ohio, and possibly one on the Atlantic coast which never can be used.

The investment of this company was placed at \$775,000 at the Ways and Means Committee hearing, and the company employs 241 men on an average for their average production.

The American Mineral Production Co. controls the Allen & Moss quarry, the Woodbury, and the Red Marble quarry. None of these quarries have ever been explored although they have all been worked. They have worked largely the Allen & Moss quarry, and this quarry has always been known as a high line quarry. They produce a very poor product, and by itself they probably would not be able to sell the output of that quarry. At the present time they sell the entire output of the quarry to the Northwest Magnesite Co., who convert it into dead-burned and sell it as their own material, mixing it with better material, and in that way making a little higher grade material of it.

The Woodbury quarry was abandoned a couple of years ago on account of the material being found to be entirely unsatisfactory.

The plant equipment of the Allen & Moss and the Woodbury, consisted of four shaft kilns at the Allen & Moss, and three at the Woodbury. These kilns are only good for calcining and will not produce dead-burned material that is satisfactory for the refractories trade. The equipment of the company is probably worth \$100,000; that is the amount invested. This includes the kilns on the abandoned property, and the office building at Chewelah.

They have, in their testimony, included in their investment a railroad which was built to the quarry, but it was built by an independent railroad company under a different name.

I might say that the operation of the company has been very erratic since the very beginning, and at the present time they employ from 40 to 100 men; sometimes 50, and sometimes 100. All of their product is sold to the Northwestern Co.

The Valley Magnesite Co., or the Western Materials Co., controls the Double Eagle quarry, and this company abandoned its property about two years ago. They shipped about 28 cars of material out of it, and then quit. The quarry has never been developed, never been explored, but during the past two months they have started operations again, and in the last week or so they have again stopped operations. Their production is about 20 tons a day when they are operating.

Senator CURTIS. Have they pretty large property?

Mr. WALKER. They only own one quarry, which is probably the smallest of any of these three companies. The other two control three quarries, covering a fairly large acreage. This is merely one unexplored quarry which they are attempting to develop. They have invested about \$30,000 in three kilns, and employ normally about 30 men when they are operating. The output, as I say, is about 20 tons of calcine a day, which, of course, can not be used by the refractories trade.

The Crosby Magnesite Co. owns the Crosby quarry. After spending about \$50,000 or \$60,000 on that property they found the magnesite was unfit for use, and the operation was abandoned.

The United States Magnesite Co. worked the United States quarry. I understand they have practically thrown it up at the present time. They found after starting operations that their magnesite was unfit for use.

The production of the entire district in Washington is slightly over 6,000 tons per month, as an average maximum. That is, it sometimes gets up to around 6,000, but most of the time since they have started operation it has been below that. This 6,000 tons of dead-burned is produced by the Northwest Magnesite Co., using with their own the rock of the American Mineral Production Co. and the 20 tons of calcine turned out by the Western Materials Co., or the Valley Magnesite Co.

Senator WATSON. If they would put in more machinery they could produce more?

Mr. WALKER. Oh, yes; that is the production at this time. At this time they are producing more than they ever produced before.

Senator THOMAS. In dead-burning, what is the proportion between raw material and finished product?

Mr. WALKER. It takes 2.2 tons at the Northwest plant, according to their own statement, and that is approximately correct.

Senator THOMAS. It would take approximately 15,000 tons to produce 6,000 tons of the burned material?

Mr. WALKER. Yes; a little less than that.

The total investment in the State of Washington is estimated as follows:

Northwest Magnesite Co., \$772,000. That is their own figures, but it is their own sworn statement before the Ways and Means Committee. Valley Magnesite Co., \$30,000; American Minerals Production Co., \$100,000; Crosby Magnesite Co., \$50,000; a total of \$950,000 in the State of Washington. That is the total investment. The number employed in the entire magnesite district of Washington is 370 at the present time, and that is practically the maximum, except for probably one period during the construction when they were trying to get out material at any cost, during the war, when they could get a very good price for it.

Senator WATSON. Assuming that the total consumption of the United States is 150,000 tons a year, we will say, could they produce that much with proper machinery?

Mr. WALKER. Yes; equipment could be put in there to produce that much material. It just means building new plants or enlarging plants, but during the war there was the greatest need of it, and the material was there. These deposits were all opened late in 1916, before we went to war, and this money was put in at that time, with the result that we have about a 6,000-ton production.

Mr. BURKE. How long will it take to exhaust this visible supply?

Mr. WALKER. I was just coming to that. Mr. Phelan, of the Bureau of Mines, testified at the Ways and Means Committee hearing that the amount of magnesite available in Washington amounted to about 7,000,000 tons, but he did not distinguish between commercial magnesite and noncommercial, or between usable and nonusable magnesite. I do not think there is any question, after examining all the deposits in the district, but what there are 7,000,000 tons of magnesite, but in view of the fact that three of the quarries that

started operations have fallen down absolutely, and the fact that the one that is now operating produces very poor material, it would seem that there is danger that a great deal of that 7,000,000 tons, which includes good and bad, might be unfit for use, so it might be reduced to half, we will say, or less than half of that amount.

Mr. CURTIS. It is also likely that more mines will be discovered, is it not?

Mr. WALKER. That is possible. During the magnesite boom the magnesite deposits were like gold mines, and I do not think they overlooked very many of them. They sold almost anything they could locate up there for magnesite quarries at the time, and probably if we figured the number that have been abandoned on which they found no magnesite, we would have a total of 50 or 60. It has dwindled down to 12 or 13, or less than that.

The expenditures on the Crosby and Woodbury quarries, which are abandoned, were about \$50,000 to \$60,000.

I might say that it is practically impossible, from an examination of that territory, to say how much material there is there that would be salable. You could not hazard a guess unless diamond drills were put down and the quarries developed. The Northwest Magnesite Co. attempted first to go ahead without doing that, and they very nearly found out they had opened up on a quarry that was absolutely worthless. As it is, it is a quarry that has made for fairly high costs, because they have had to "rabbit hole" around to get the material out, it is mixed with so much poor material.

I want to submit to the committee a statement of estimated costs of producing dead-burned magnesite in the State of Washington. This is based on an examination I made during the past two months, and attached to it I have references showing where the information was obtained on each particular item in that cost sheet.

(The tabulated statement submitted by the witness is here printed in full, as follows:)

*Report on cost of producing dead-burned magnesite in Washington, based upon investigation made by A. F. Greaves-Walker.*

[Production (approximate) per month, 12,000 tons; per day, 400 tons. Men employed in quarry, 130.]

	Per month.	Per day.	Total per day.	Per ton.	Total per ton.
<b>LABOR.</b>					
45 miners, at \$5 a day.....		\$225.00		\$0.5620	
4 drillers, at \$5 a day.....		20.00		.0500	
1 compressor man, at \$6 a day.....		6.00		.0150	
80 laborers, at \$4.50 a day.....		360.00		.9000	
<b>Total.....</b>			<b>\$611.00</b>		<b>\$1.5270</b>
<b>SUPPLIES.</b>					
Explosives.....		60.00		.1500	
Drill repairs.....	\$190.00	6.33		.0160	
Crusher repairs.....		8.00		.0200	
<b>Total.....</b>			<b>74.33</b>		<b>.1860</b>
Maintenance of camp.....	200.00		6.66		.0170
Power (electric) (150 horsepower, approximately), at \$40 per horsepower per annum.....	513.60		17.12		.0428
Superintendence.....	300.00		10.00		.0250
<b>Total cost of quarrying.....</b>			<b>719.11</b>		<b>1.7978</b>

## Report on cost of producing dead-burned magnesite in Washington, etc.—Contd.

	Per month.	Per day.	Total per day.	Per ton.	Total per ton.
<b>AERIAL TRAMWAY, LABOR.</b>					
3 loaders, at \$5.....		\$15.00		\$0.0375	
3 dumpers, at \$5.....		15.00		.0375	
2 linemen, at \$5.....		10.00		.0250	
1 foreman, at \$7.....		7.00		.0175	
1 extra repairman, repairs, oil, power, and maintenance.....		21.00		.0525	
Total cost operating.....			\$68.00		\$0.1700
Total cost, 400 tons crude rock at reduction plant.....			787.11		1.9678
<b>REDUCTION PLANT.</b>					
Cost of raw material:					
2.2Xcost crude (400 tons crude—182 tons clinker).....			787.11		4.324
Cost of labor (24 hours):					
Crushing plant, 15 men; kilns, 9 men; coal plant, 9 men; raw mill, 12 men; stores, 2 men; loading, 16 men; extras, 8 men: total, 71 men, at \$4 per day.....		294.00		1.56	
Blacksmith, 1 at \$5 per day.....		5.00			
Carpenters, 4 at \$6 per day.....		24.00			
Electricians, 3 at \$4.17 per day.....		15.50			
Bricklayers, 4 at \$3 per day.....		32.00			
Gas engines and power, 8 at \$5 per day.....		40.00			
Total mechanics.....		116.50		.64	
Total plant labor.....			400.50		2.200
Power—550 horsepower (approximately), at \$40 per horsepower per annum.....	\$1,886.40		62.88		.345
Iron ore—Chesaw Iron, at \$10.20 per net ton f. o. b. Chewelah (4 per cent of weight of clinker added), 7.28 tons per day.....			74.24		.408
Fuel—Utah coal (screenings), at \$7 per net ton f. o. b. Chewelah, 0.35 ton coal per ton of clinker; 63.7 tons per day, at \$7.....			445.90		2.450
Operating supplies and maintenance.....			364.00		2.000
Total cost manufacturing.....			2,134.63		11.727
<b>GENERAL EXPENSE.</b>					
Plant superintendent.....	400.00	13.33			
Plant foreman, 2, at \$175.....	350.00	11.66			
Chemist.....	200.00	6.66			
Assistant chemist.....	150.00	5.00			
Laboratory assistants, 2, at \$3.50.....		7.00			
Chief clerk.....	200.00	6.66			
Office assistant.....	150.00	5.00			
Stenographer.....	100.00	3.33			
			58.64		.322
<b>INSURANCE.</b>					
Valuation, \$500,000; 90 per cent—\$450,000; rate reduction plant, at \$2.40—10 per cent; 73.8 per cent of total—\$7,173.36 per annum, plus rate quarry plant and camp, at \$2.20—10 per cent—26.2 per cent of total—\$2,334.40 per annum.....			26.05		.143
Liability on pay roll of \$1,093.32 per day, at average of 3 per cent.....			32.80		.180
<b>TAXES (1918).</b>					
Real estate, \$4,987.08; personal, \$6,075.60; total, \$11,062.68; assessment, 1919, 50 per cent of 1918—\$5,531.34.....			15.154		.083
Stationery, automobiles, superintendent's residence, general office, etc.....			200.00		1.099
<b>DEPRECIATION.</b>					
8 per cent of \$615,000—\$49,200 per annum.....			134.79		.74
<b>DEPLETION.</b>					
Quarry—Estimated value, \$100,000; 1,000,000 tons developed; depletion on quarry, 1,000,000 tons, at \$100,000.....			40.00		.22
Total cost of dead-burned magnesite on cars, Chewelah, Wash., 182 tons per 24 hours.....			2,642.064		14.51

## REFERENCE.

(A) Based on statement of quarry superintendent and other employees of Northwest Magnesite Co. to C. A. Underwood (A. R. Co. chemist) and from observation of Underwood and myself, confirmed by average output of plant for past three months of September, October, and November as shown by records shown to Underwood.

(B) Number of men counted by Underwood December 10, 1919, confirmed by statements by superintendent to Underwood that figures were average and practically stationary for 3-kiln production.

(C) Statement of superintendent to Underwood December 10, 1919; rate same as other companies paying.

(D) Statement of superintendent to Underwood December 10, 1919; rate same as other companies paying.

(E) Average wage rate for section.

(F) Statement of superintendent to Underwood December 10, 1919; rate same as other companies paying.

(G) Statement to myself by Du Pont representatives in Spokane office was that cost of explosives in magnesite quarrying and mining as practiced by Northwest Magnesite Co. should not exceed 10 cents per ton. Statement of James Broad, railroad contractor of Spokane, who had observed practice in this particular line was that 15 cents per ton was maximum Northwest Magnesite Co. purchase from Du Pont Co.

(H) Statement of W. R. Carr, Ingersoll-Band Co. representative in Spokane, to me. Northwest Magnesite Co. operate their drills. Statement made in connection with estimate on our own operations, December 18, 1919.

(I) Statement made to me by large company from their books. Company located in same section as Northwest Magnesite Co., and operates same equipment on like material. Request name omitted. December 19, 1918.

(J) Estimated by me from personal visit and observation November 23, 1918, and November 23, 1919.

(K) From statement made to me by manager of Stevens County Power & Light Co., who furnish power to Northwest Magnesite Co. Average consumption when three kilns operating, 700 horsepower rate, \$40 per horsepower per annum. Average account per month, \$2,400. (Dec. 18, 1919.)

In these figures no account is taken of cost of power from auxiliary power plant which contains one Winton gasoline engine driving 200 KVA generator, and one Webber gasoline engine driving 200-KW generator.

It has been necessary to operate these engines for short periods in late fall and during severe cold in winter when power plant at Meyers Falls is short of water, during which periods the cost of power is higher. Both engines are in poor condition, however, being second hand when installed. One engine completely broken down at present and the other operating at 50 per cent efficiency on account of condition. (Statement of chief electrician to Underwood, Dec. 18, 1919.)

(L) Estimate obtained in conversation with Northwest employees.

(M) Estimate of Riblet Tramway Co., who put in Northwest installation, is that tram of same length as theirs should be operated on 400-ton output for 9 cents per ton. Statement of Byron C. Riblet, president of Riblet Tramway Co., is that on account of the Northwest tram having been erected almost entirely from second-hand equipment the cost of operation and maintenance has been excessively high and has demanded the services of many more men than would have been the case with a new outfit. (Statement Dec. 18, 1919.) Number of men checked by C. A. Underwood December 18, 1919.

(N) Cost figures per ton apparently high, as when Roy N. Bishop showed me cost statement in his office on November 23, 1918, the total cost of delivering crude rock to reduction plant was \$1.56 per ton.

(O) Statement of Roy N. Bishop to me November 23, 1918, was that they were producing 1 ton of clinker from 2.2 tons of rock. Statement of plant superintendent to me confirmed these figures in November, 1919.

(P) From actual count by C. A. Underwood of number of men on plant December 10 and 18, 1919. Wage rates from interviews with men by Underwood on those dates.

(Q) Costs from Mike Kulser, miner and shipper of iron ore, Valley, Wash. Kulser sells iron ore to Northwest Magnesite Co.

(R) Prices of Utah coal from officials of Spokane & International Railroad Co., Spokane; C. P. Oudin, president American Fire Brick Co., Spokane, and

other users in Spokane district. Percentage of coal used per ton of clinker from statement to me by R. N. Bishop November 23, 1918, and by plant manager of Northwest Magnesite Co. November, 1919.

(S) Estimate made from experience with plant of this type.

(T) Estimates made by C. A. Underwood and myself after conversations with various employees of Northwest Magnesite Co., November and December, 1919.

(U) Rates given me by Harry C. Miller, manager insurance and bonding department, Union Trust Co., Spokane, and Theo. Gensch, insurance broker, Spokane, and based upon sketch plans and estimates presented to them by me. Liability includes all but superintendent's and office force.

(V) From records in county courthouse, Colville, Wash., assessment for 1919 shows reduction of 50 per cent in valuation on 1918 valuation. Exhibits attached.

(W) Estimate from experience with plants of similar type and volume of business.

(X) Estimate made so as to write off plant in 12½ years.

(Y) Value of quarry estimated from prices paid for similar deposits in district. Also checked by consulting Prof. F. M. Handy, formerly State geologist of the State of Washington, and professor of geology at Washington State College, who is an authority and expert on Washington magnesite deposits and their value. Prof. Handy placed a value of \$100,000 on a quarry similar to the Finch quarry of the Northwest Magnesite Co. The Finch was bought for \$7,500 in late 1916.

Estimate of 1,000,000 tons of magnesite available, based on diamond drill reports of Finch quarry and estimates of Bureau of Mines employees on similar deposits.

NOTE.—Plant duplicating Northwest Magnesite plant can be erected for \$615,000 complete.

H. F. GREAVES-WALKER,  
*Ceramic and Mining Engineer.*

SPOKANE, WASH., *December 23, 1919.*

Mr. WALKER. The total estimated cost of producing magnesite in Washington, according to this estimate, is \$14.51 a ton. That includes every item that enters into the manufacture of the product—depletion, overhead, general expense, and the rest of it. That is for dead-burned material, f. o. b. cars, Chewelah.

That can be checked by the fact that last year, when I visited the Northwest Magnesite Co.'s plant with Mr. Bishop, he showed me his cost statements—unhesitatingly, because he was going east to see our people—and he showed me that his costs were at that time below \$15 per net ton of finished product. He also told me that as the production at that time was only about 4,000 tons per month and is now about 6,000, when he got into larger production the cost would probably be as low as \$12 per ton. Checking this over, and being more liberal, I get a cost of \$14.51.

Another check on that cost is the fact that the Double Eagle quarry of the Western Materials Co.—the cost sheets which I have had a chance to examine during the last two months, and which I watched very closely—show a cost of less than \$15 per ton delivered at the railway at Valley Washington, and this \$15 per ton includes a haul of 15 miles by motor truck over very bad mountain roads, at a cost of \$4.50 per ton, and a cost of \$2.50 per ton from the quarry to the rails, making a total of \$7 for hauling alone. They sell it for \$20 a ton, so there is not much question but what the \$14.50 estimate is very liberal.

Also, in that cost statement, you will find the cost of the rock put at \$1.96 per ton delivered at the tramway, or delivered at the plant. Last year when I visited Mr. Bishop he showed me those costs at

the time, delivered at the tramway, and at the other end of the 6-mile tramway it was \$1.56 for crude rock. He also pointed out that that included some construction items and a few items that ordinarily would not go into the cost of a concern that was just simply figuring its actual costs, and not attempting to amortize some of the old work that had been done on a new proposition. At the rate of 2.2 tons of crude to the ton of dead-burned, that would make a cost of \$3.43. In the House Committee hearing the statement is that figure, \$6.16, but as I say, the statement shown to me in the office last year was only \$1.56, and 2.2 times \$1.56 would be \$3.43.

The competitive quality of the Washington and California magnesites, I should say, could be covered in a very few words by the statement that the California magnesite is absolutely worthless for refractory purposes. I have had the opportunity to use thousands of tons of it, converting that material into finished product, and there is nothing but misery connected with it. Neither the Grecian nor the Californian would ever be used as long as anybody could obtain the crystalline product. It is practically impossible to bond the bricks so that you can ship them; they practically fall to pieces. They are so porous when you get them made that the absorption of slag and metal is very high, and if you get, as compared with brick made from Mr. Bishop's project, an efficiency of 80 per cent, you would be doing wonderfully well. No manufacturer would use the California product for making refractories if he could get the other product, nor could he sell the stuff if he made it, and the other material was available.

Senator CURTIS. How do your figures happen to differ so greatly as to cost from those given by Mr. Burke before the committee of the House and the cost given by the Tariff Commission. Mr. Burke estimated that the total value of this property was \$500,000. You gave the figure as—

Mr. WALKER. \$772,000—and I took Mr. Bishop's word for it, Senator.

Senator CURTIS. The Tariff Commission reports that the estimated value is from \$3,000,000 to \$4,000,000.

Mr. WALKER. My total estimate, Senator, is based upon an examination of each of the properties, and giving them full value for everything they have up there.

Senator CURTIS. But how about these three or four or five companies that have gone out of business?

Mr. WALKER. I have even given credit to those that have gone out of business, who have never produced a pound of magnesite.

Senator CURTIS. What did you put it in at, at cost or present value?

Mr. WALKER. At cost at the time they were erected. The cost in 1917 would be somewhat different from the cost to-day, especially as wages have practically doubled during that time. The biggest part of that cost, \$772,000, is figures given by the Northwest Magnesite Co. themselves in their own statement. Outside of that there is practically no investment there, Senator. There are a few kilns scattered around that could be built for \$3,000 apiece anywhere. Three or four is the greatest number in any one of the quarries, and there are only four quarries up there equipped with these shaft

kilns. Giving them full value for everything they have up there, every bit of property—not the money that was thrown away, however, and there was a lot of money thrown away up there, as there always is in every rush in the West—the money you actually see there to-day that represents investment would not be \$1,000,000 in the State of Washington.

Senator CURTIS. That includes only what is in existence now? That does not include property that had been torn down?

Mr. WALKER. There is none torn down, Senator; they are still standing, whether they have abandoned them or not.

Senator CURTIS. In what way would they throw this money away?

Mr. WALKER. Just the wasteful expenditure that you find in a Western country where there is a gold rush, or silver, or copper, or anything else.

Senator CURTIS. Have you included in your statement the building of any railroads, or transportation plants?

Mr. WALKER. Well, there was a railroad put in there for the purpose of reaching these magnesite quarries. That railroad was put in, not by a magnesite company, but by a railroad company attempting to get in there to bring this material out. So far as the railroad is concerned, that is just as good today as it was the day it was put in.

Senator CURTIS. Did you value it?

Mr. WALKER. I did not put it in, Senator.

Senator CURTIS. It would be worthless without the mines, would it not?

Mr. WALKER. Well, it always was worthless, Senator. There was no reason for putting it in, because Mr. Bishop reached the same point, a point a stone's throw away from the end of this railroad. He put in a tram at a cost of \$89,000, which brings his material out for about 17 cents a ton, whereas this railroad company built a railroad in to reach the same quarries, and charged a freight rate of \$2 a ton to bring it out to the same point where Mr. Bishop brings his out for 17 cents. It was a railroad promotion, and there is not a railroad man in the West that considers it as even a legitimate proposition at any time.

Senator THOMAS. Is it subject to Government control?

Mr. WALKER. No; it is not an interstate road.

Senator CURTIS. They have taken over some that are in prospect.

Mr. WALKER. As regards that particular railroad, anybody that developed the magnesite properties that are along its right of way would not use the railroad because it would cost \$2 a ton, when you could bring it out from anywhere for from 19 to 20 cents on an aerial tramway.

Senator THOMAS. Did you give your estimate of the probable tonnage in Washington, of commercial or usable magnesite, as distinguished from the total mass?

Mr. WALKER. No, Senator; it would be practicably impossible to do that. All you can see of this magnesite, as a rule, is just a little piece of rock sticking up through the grass. A great deal of this estimate of 7,000,000 tons is based on absolutely nothing but a little bit of magnesite rock sticking up, just like limestone does on some of these farms throughout the limestone districts. That is just taken as an indication that it is so wide, so long, and so deep—down

to the center of the earth, and so on. It is a guess, pure and simple. Anybody can look into the ground about as far as anybody else, as far as guessing what is there.

**STATEMENT OF MR. F. F. COLCORD, ASSISTANT TO VICE PRESIDENT UNITED STATES SMELTING, REFINING & MINING CO., NEW YORK, N. Y.**

Mr. COLCORD. Mr. Chairman, we use magnesite brick in our copper furnaces. I appeared before the House Committee at their hearing in June, and gave my testimony at that hearing. I have not much to add to what I said at that time except to bring our experience up to date.

At that hearing I stated that brick made from Washington magnesite was 80 per cent as good as brick made from Austrian magnesite. I did not mean exactly 80 per cent; that is an approximation. Our experience since June and up to date confirms that figure. That means an increase in cost in our operations. Another cost which does not appear on the surface but which is there, is the more frequent interruption to our operations, and the consequent loss of production.

That is all I have to say.

Senator CURTIS. What were you paying for these brick before the war?

Mr. COLCORD. Around \$120 a thousand.

Senator CURTIS. You bought them from whom?

Mr. COLCORD. Harbison-Walker, and the American Refractories Co.

Senator CURTIS. What did you pay for them during the war?

Mr. COLCORD. As high as \$300.

Senator CURTIS. To whom?

Mr. COLCORD. Harbinson-Walker and the American Refractories Co.

Senator CURTIS. The same people?

Mr. COLCORD. The same people.

Senator CURTIS. Who are you buying from now?

Mr. COLCORD. I think just for the moment from the American Refractories people.

Senator CURTIS. What are you paying a thousand for them now?

Mr. COLCORD. \$400 a thousand.

Senator WATSON. How long have you been connected with this company, Mr. Colcord.

Mr. COLCORD. Twelve years.

Senator WATSON. Did you use the Austrian product exclusively before that?

Mr. COLCORD. Yes; it was, I think, practically the only product that was on the market.

Senator WATSON. Are you speaking now of the brick or the grain, or both?

Mr. COLCORD. We use only the brick.

Senator WATSON. Your experience is then that the Washington produce is 80 per cent as efficient or as lasting as the Austrian?

Mr. COLCORD. Yes—the brick made from the Washington product.

Senator CURTIS. Do you mean that it is 80 per cent in its lasting quality, or 80 per cent in its general qualities?

Mr. COLCORD. In its wearing qualities. We have to replace the brick oftener. They wear out. The furnace gives out oftener with brick made from Washington magnesite than with brick made from Austrian magnesite.

Senator CURTIS. Could they be improved, do you suppose, or do you know enough about the industry to say?

Mr. COLCORD. I do not know anything about the brick industry. I will say this: When they began using California magnesite which, I think, was prior to the use of the Washington magnesite, the brick were almost impossible. It ran 50 or 60 per cent as compared to the Austrian. As the Washington magnesite began to come in we began to get better brick.

Senator WATSON. They have improved the quality of their brick since the first, have they?

Mr. COLCORD. Yes.

Senator CURTIS. In your testimony before the House committee you stated, in answer to a question by Mr. Thane, that the difference in your cost of production would be at least 10 cents per ton?

Mr. COLCORD. Yes; 10 cents per ton in our operating costs. That is on a direct repair, without emphasizing the loss of production when part of the plant is down oftener than you anticipated when you built it.

Senator WATSON. How many plants do you operate?

Mr. COLCORD. I think there are four plants where we use magnesite brick.

Senator CURTIS. What is the cost of a ton of copper?

Mr. COLCORD. The raw material, or the work we put into it? I might say that our business in refining copper is to take a product which is 98 or 99 per cent pure and turn it out 100 per cent pure, so the cost of the raw material is not a factor in the final product; it is mainly what it costs to convert 98 per cent material into 100 per cent.

Senator CURTIS. You testified before the House committee that the cost was about \$380.10 per ton, did you not?

Mr. COLCORD. Yes; I tried to explain that, Senator, by saying that our raw material, which is an impure copper, is practically sold again plus the small manufacturing cost. There is no profit on that raw material.

Senator CURTIS. At this price here?

Mr. COLCORD. Yes.

Senator CURTIS. But that would be the price that you would figure your loss on, at this 10 cents a pound?

Mr. COLCORD. No; a good deal of our work is done for producers of impure copper, to whom we return the refined product, and they pay us so much per ton for our operation.

Senator THOMAS. You take the material and perfect it, and get so much for your work?

Mr. COLCORD. We perfect it and turn back the refined product.

**STATEMENT OF MR. W. H. BISCHOFF, ASSISTANT GENERAL SUPERINTENDENT LUKENS STEEL CO., COATESVILLE, PA.**

Mr. BISCHOFF. Mr. Chairman, I have been in the steel business for 26 years, in the open-hearth department.

In 1907 I took charge of the open-hearth department of the Bethlehem Steel Co. and was there until the fall of 1916, when I went to the Dominion Iron & Steel Co., at Sidney, Nova Scotia, as assistant general superintendent. In May of this year I came to the Lukens Co. as assistant general superintendent.

Since the outbreak of the war, and since the Austrian magnesite on hand was consumed, we have not been able to get a brick that will stand up in service as the old Austrian magnesite brick would.

Basic open-hearth furnaces which have bottom and side walls up to a point 6 or 8 inches up above the metal, are built of magnesite brick, and on top of this magnesite brick the front and back walls and the roof are built. After the brickwork has been built we put the gas on the furnace and burn in a bottom of gray magnesite. This bottom runs all the way up to a little bit above the slag line.

We find with these brick made from domestic magnesite that they spawl very rapidly; as soon as we bring the furnace up to heat, pieces break off the end of the brick. I have seen them as big as 3 inches. The brick are laid on flat, with the corner in toward the furnace. That weakens what is really the foundation for the silica brick wall which carries the roof.

Senator WATSON. What temperature do those brick have to bear?

Mr. BISCHOFF. Well, we burn the bottom in at around 2,800, and the furnace operating often gets up to 2,900 or 3,000.

Senator CURTIS. Does that happen on the end brick only?

Mr. BISCHOFF. On the whole wall. There may be a spot several feet in diameter where small pieces spawl off, and it weakens that wall. After a furnace has made a run, we have to take down the silica work. When we are digging for a foundation to build the new silica work on, we find these bricks have disintegrated, that they will not stand the weight that the old brick will, that they have gone to powder, and we have to go down that much deeper for a foundation than we did at other times.

On the grain magnesite, it has been my experience that this domestic magnesite does not set, does not get hard on the bottom. We put on a layer, put on the gas again, and burn it in, and then put on another layer. It takes a week or eight or nine days to burn in a bottom.

Senator WATSON. How thick is it when it is done?

Mr. BISCHOFF. Twelve or 14 inches, tapered off on the side walls.

This bottom of domestic magnesite does not set as well as the Austrian magnesite did, and does not burn as hard, with the result that we have frequent delays on account of repairs. The metal attacks the bottom and begins to boil on that bottom, and boils a hole in it. We have to repair when the furnace is hot, so that we not only lose the tonnage of the furnace, but lose the coal we are burning to heat it. The actual cost of magnesite is negligible compared to the tonnage lost on account of these delays.

I have not any actual figures on the difference in tonnage lost, but simply as an illustration, if we would lose only an hour a week on account of the difference in the quality of the magnesite, it would be 48 to 50 hours in the year, or practically two days per furnace, and on the 22 open-hearth furnaces that we operate at Lukens, that would mean practically a month and a half of time lost.

Senator WATSON. Is that difference between these two qualities of brick?

Mr. BISCHOFF. I am talking about the delays occasioned by the grain magnesite now. As I say, I have not any actual figures, but I believe that an hour a week would be a very conservative figure.

Senator WATSON. That is in the grain on the bottom?

Mr. BISCHOFF. The grain on the bottom.

The trouble with the brick we find in our repairs when we take the furnace down for repairs. We find it has disintegrated and then we begin to worry whether that is not also true of the brick underneath. The furnace bottom is the most vital part of the furnace in steel manufacture. Something may happen to the roof and we are very often able to get that heat out and pour it, but if we are not able to do that we allow the heat to chill down and then build a new superstructure. But if anything happens to the bottom of the furnace and it begins to boil the open-hearth man must use his judgment as to whether he can leave it in there long enough, and if he leaves it in there too long he loses 80, 90 or 100 tons of liquid steel, which runs all over his plant, and he can not recover it at all. So the open-hearth man feels that he should have the best available material to put into that part which is the most vital part of his furnace.

Senator WATSON. If you get the Austrian grain and put it in, does it ever melt out? Is it absolutely reliable?

Mr. BISCHOFF. Oh, no; it happens in all steel work practically, but I contend it happens more with the domestic magnesite than with the Austrian. I believe that any given furnace would make more tonnage in a year working with Austrian magnesite altogether than with domestic magnesite, on account of the increased delays.

Senator WATSON. Do you know the actual difference in composition of the Austrian and Washington magnesites?

Mr. BISCHOFF. The Austrian magnesite runs from 1.4 to about 3 per cent in silica, while the Washington magnesite runs from 5 to 7 per cent silica. The magnesia in the Austrian magnesite runs about 84 to 88, while the Washington magnesite runs from 77 to 83. The iron is practically the same, except—and this is probably the crux of the situation—the iron is found in the Austrian magnesite in its natural state, while with the Washington magnesite the iron is added in the shape of iron ore which is burned in with the magnesite.

Senator THOMAS. It is artificially introduced?

Mr. BISCHOFF. It is added while it is being burned; yes, sir.

Senator WATSON. Then the iron is not found in the natural state in the Washington magnesite as in the Austrian?

Mr. BISCHOFF. Not so high a percentage.

Senator CURTIS. They have to add iron to the Austrian magnesite, do they not?

Mr. BISCHOFF. Not so far as I know.

Senator CURTIS. Right there—what about that Mr. Mossman.

Mr. MOSSMAN. No; it is the natural product.

Senator CURTIS. You do not add any iron?

Mr. MOSSMAN. No, sir. We did at one time. I believe the Italian Government had some requirements that magnesite containing less than a certain percentage of iron—7 per cent—would not be admitted, or something like that, and in order to prepare our material to meet their requirements, we added some iron to material that we shipped into Italy for sale there. But we do not add iron for our United States trade.

Senator WATSON. What percentage of iron makes the perfect brick, then?

Mr. MOSSMAN. Around 5 to 6 or 6½ per cent in the dead-burned material.

Senator WATSON. Is that the percentage you find in your Austrian magnesite in the natural state?

Mr. MOSSMAN. Yes, sir.

Senator CURTIS. That is all, Mr. Bischoff.

**STATEMENT OF HON. JAMES FRANCIS BURKE, PITTSBURGH, PA.,  
COUNSEL FOR THE AMERICAN REFRACTORIES CO.**

Mr. BURKE. Mr. Chairman, that concludes the testimony of the gentlemen who desire to be heard.

If you will indulge me for a moment or two to refer to two or three outstanding facts, I will be as brief as possible.

My old preceptor, President Angel, of the University of Michigan, taught me in discussion to discard nonessentials, and I am going to do that in this case. I will agree with Senator Thomas that this might possibly be regarded as a quarrel between protectionists. But we regard it, gentlemen, really not as a quarrel with anybody, but as a struggle for a continuance of our existence.

Senator THOMAS. My remark was facetious, Mr. Burke.

Mr. BURKE. I understand that, Senator, but as it is somewhat justified from your standpoint, I must advert to it.

I want you to keep in mind that both sides to this controversy are protectionists, and in that we agree generally regarding the doctrine but disagree as to the propriety or necessity of applying it in this case.

I will admit, gentlemen, that if this hearing were projected into January or February of 1922, after a Presidential election had been held and the vast majority of both Houses were Republicans, pledged to a protective tariff and a Republican President in the White House pledged to a protective tariff and a general revision of the revenue laws from a customs standpoint were necessary, there might be some justification for this committee's spending two or three days' time hearing witnesses on this proposition.

But to advance the action of this committee two years, to invoke your consideration at this time when no possible emergency exists, and to demand it on the theory that an emergency does exist in which if you do not act promptly the Northwest Magnesite Co. will go out of business, it seems to me to descend to the level of a farce in the

light of the testimony which has been submitted here and in the light of the revelations before the Committee on Ways and Means.

Magnesite is essentially a raw material, but there never was raw material of any kind imported into the United States that can compare with the raw material that the Ways and Means Committee in this instance sent to this Committee for consideration. I say that with all due respect to my old colleagues in the House, for whom I have a very deep affection and whom I forgive for their loyal adherence to the protective doctrine, but whom I cannot forgive for forcing this measure under the guise of emergency legislation at this time.

When the committee on Ways and Means proceeded to this hearing the American Refractories Co. had no notice whatever of the intention to hear parties interested in this subject, although we were then, and it was known generally to the trade, the largest investors and the largest operators, combining the Austrian and the American plants, that were known to America. We ascertained the fact that the Ways and Means Committee was to hold hearings through publications in the daily press.

I find no fault with the Ways and Means Committee, but I do find fault with, and I criticize the enterprising gentlemen who are back of this proposition, who should have made it known to the Ways and Means Committee that this great factor was involved, and that this great company, which has done so much for the consumers of magnesite in this country, would be interested in these hearings and should be heard.

Now, in the light of the fact that there is what professes to be one particular disinterested document presented to you—one document presented to you under the sancity as it were of a department of this Government, in the light of the fact that that may have weight with you in reaching your conclusions, I want you gentlemen to follow me from the beginning to the end of the history of that document that you find before you to-day.

Senator THOMAS. Just which document is that?

Mr. BURKE. The one entitled "Information Concerning the Magnesite Industry."

Senator THOMAS. From the Tariff Commission?

Mr. BURKE. From the Tariff Commission.

The bill in question was introduced by Mr. Hadley, of Washington, on the 7th day of June. The Committee on Ways and Means would receive it on the 8th day of June. The Tariff Commission could not be communicated with until the 9th day of June, assuming that the clerk to the Ways and Means Committee acted promptly. The letter to the Tariff Commission would not reach the Commission's headquarters until the 10th day of June.

If the Tariff Commission acted promptly, its communication to California upon replies to which these conclusions apparently are predicated could not have reached California until the 15th day of June. And yet on the 17th day of June the Tariff Commission presents to the Ways and Means Committee a report of and its findings on the magnesite industry in America, and its representative, Mr. Riddel, appeared and testified in a manner so clearly hostile to the American Refractories Co. that his testimony carries its own

condemnation and that of the commission that permitted an abuse of its functions.

I say to you gentlemen, that it is unworthy of a department of this Government to resort to a method of that character. I say it is the subject of legitimate criticism when a department that was created after very long and very earnest debate in both Houses, and was intended to be impartial, becomes an advocate of one side or another. It was because of the fear and the apprehension of statesmen like yourselves that abuses of this kind would follow the creation of this commission that many men hesitated to vote for its creation.

The communication sent to you on December 9 states:

I have the honor to transmit herewith, in accordance with your request, information compiled by the United States Tariff Commission on the Magnesite Industry.

Now, let us see where the information which was compiled by the Tariff Commission came from, who compiled it? The natural inference would be that it was compiled as a result of the intelligent and independent effort of the Tariff Commission itself, nonpartisan in its character and independent as to both parties in interest here. If that were the case, gentlemen, you would find a vastly different report to the Committee on Finance of the Senate of the United States from that which was submitted to the Ways and Means Committee on the 17th day of June, and vastly different from the one before you, and I cite the admissions of Mr. Riddel in support of any assertion.

Senator THOMAS. Where do you get that date, Mr. Burke. This copy here says June 11.

Mr. BURKE. Yes, sir; June 11, 1919.

Senator THOMAS. You said June 17?

Mr. BURKE. June 17th was the day of the first hearing before the Ways and Means Committee, and that makes it all the more strange. And it was disclosed on cross-examination by members of the Ways and Means Committee that it was not the result of impartial and thorough investigation by any officer or any employee of the Tariff Commission, but that these conclusions were simply the restatement of affidavit and ex parte documents presented by the Northwest Magnesite Co. and others associated with them in furthering this legislation.

In other words, you have the Northwest Magnesite Co., through its agencies, through the skill of its officers, the ability of its counsel, and the efforts of all its advocates, crystallizing their arguments, bringing them to Washington, handling them to the Tariff Commission, and having it turn out what purports to be a report of the Tariff Commission on the magnesite industry in America.

I say to you, gentlemen, that is not fair either to the Ways and Means Committee, or to you. It is not the character of information that it was intended should be received by you, upon which you could predicate your conclusions in framing revenue legislation.

Those are the facts and those are the dates, and they can not be controverted. These figures are the silent, dumb witness that know neither Mr. Bishop, Mr. McCook, nor Mr. Winter. They tell the story, and they prove that the Ways and Means Committee was not

told the whole story in that report, and you will find the present report full of the same exaggerations and errors.

We came down here on 24 hours notice to protect our investments and save our enterprise. We came here in answer to a newspaper publication that these gentlemen within 48 hours were to be heard before the Ways and Means Committee.

Now, let us go back to fundamentals, and ask, what is an American industry. What was the American industry that the Republican party had in mind when it first wrote into its platform the principle of protection of American industries? Is an industry composed of thrifty, able, energetic, successful, and patriotic American citizens, who have accumulated hundreds of thousands, aye, millions of dollars in America, building up American enterprises; who in order to protect the American consumer against the abuses of a powerful German-Austrian monopoly take their millions of American money across the seas into strange lands, risk their investments there, defy and overcome the opposition of the greatest organization of capital that ever engaged in this business in Europe; who, when the investment is made, in order to transport their raw material, proceed to span the distance of 12 or 15 miles across the mountains by rope-way, to railroad and by rail to the coast; then bring it to Baltimore, Chester, Pittsburgh, and other places, where it is converted in American factories, into American finished and raw materials, every dollar of tax on which in the end goes into the Treasury of the United States, plus the taxes that go into the treasuries of Pennsylvania, Ohio, and the other States, and every dollar of profit from which goes into American pockets and American banks. If that is not an American industry, gentlemen, tell me what does constitute an American industry.

(At this point the hearing was suspended for 10 minutes to enable members of the subcommittee to respond to a call of the Senate.)

Mr. COSTIGAN (member of Tariff Commission). I simply wish to say at this time, Mr. Chairman, that the Tariff Commission wishes, at the appropriate time, to be permitted to make a brief statement.

Senator WATSON. Very well; you will have that opportunity.

Mr. BURKE. Gentlemen, I have just adverted to the history of the American Refractories Co. as outlined by Mr. McCook.

Now, gentlemen, we are under the impression that you can not distinguish, when you come to enact a tariff bill, as between the industries in which magnesite is used. The builders' trades warned you this morning that any further burden upon them would really retard building progress in the United States and add to the cost of homes in the United States at a time when they are really more badly needed than at any time in our former history.

As to actual cost of production and transportation Mr. Mossman has, I believe, conclusively proven to you, by his maps and by his figures, the fact that the standard of cost, laid down by the Northwestern Magnesite Co. in their brief, was a false standard—and I do not mean that in any offensive sense, but an incorrect basis from which to draw conclusions. I think he and Mr. McCook have demonstrated, too, that as between the investment of the American Refractories Co. in Austria and the investment of the Northwest Magnesite Co. in Washington, it is a very serious question whether or not the American Refractories Co. can compete even now with the Northwest Magnesite Co. west of the city of Cleveland.

The suggestion was made to you, and crept into these hearings—and it required some little effort to disprove it—that the American Refractories Co. was engaged in an enterprise in which they are employing prison labor and employing labor for which they paid as low as 17 cents a day. The matter was referred to before the Committee on Ways and Means at the time of the hearing, and I said to Mr. Mossman at that time, "There is one thing you must do at any cost, and that is to get absolute, positive proof, under oath, as to the cost of your article laid down at Trieste."

As a consequence of that this message was sent and the reply received from Mr. Billard. That was done at my instance, and I suggested that because of the fact that I was experiencing the same sensation that you gentlemen do who are sitting behind the table on this committee. I had always demanded while I was a member of the House the best first-hand information and wanted no secondhand information when first-hand information was available.

The affidavit of Mr. Billard before the American consulate is irrefutable. There is no possible reason why he should perjure himself as to the cost of that material.

On the other hand, the suggestion made by the American consul as to the cost laid down at Trieste, I regard as a very natural error arising out of that incident. The files of the department which were examined yesterday by my colleague, Judge Covington, disclose the fact that there was no investigation made whatsoever by the consul at Vienna, that the message received was in response to a request of the department to wire back, or to write back the cost, and the only information that is conveyed by that document is the bare statement that it cost \$12.30, and not a word as to how he reached that conclusion. That coupled with the fact, however, that a short time previous one man, known to the magnesite industry in Austria, appeared in that same consulate and made the affidavit that the total operating cost, including raw material, was \$12.30, probably led the consul into a very natural error and caused him, inadvertently, no doubt, to eliminate the general expense, including interest, \$2.18, the depreciation and depletion of \$3.21, and the freight and handling to Trieste, making the cost instead of \$12.31, practically \$22 a ton.

So, gentlemen, in determining whether or not the Northwestern Magnesite Co. can compete with us in the face of our cost, you must figure our costs at the minimum of \$22 instead of \$12.30, as alleged in the brief of the Northwest Magnesite Co.

Now, as to the investments in peril. What are they? The Northwest Magnesite Co. has not indicated to you, and you do not know—and I say this in the light of the suggestion of Senator Curtis regarding my remarks about their investment—you do not know what the investment of the Northwest Magnesite Co. is to-day. The fact of the matter is that \$400,000 of bonds were issued by that company at 50 cents on the dollar. The fact of the matter is that the capital stock issued or outstanding was \$1,000,000. There is no evidence before this committee to indicate what was paid for that stock, how much cash went into the treasury, and was invested in that plant as a consequence of the distribution of those certificates. There is nothing to indicate here that beyond the money that was acquired from the sale of those bonds, there is a dollar invested in the Northwest Magnesite Co.

So that when the \$770,000 and higher figures of investment is referred to we wish to call to your attention the fact that those are the claims of the Northwest Magnesite Co. and not the result of investigation on the part of any department of the Government.

Another fact not to be ignored. There is nothing to indicate here that they did not take out during the war an amount in profits equal to their original investment. In fact the sales of magnesite in this country during the war in tonnage, compared at the same time with the profits on the article, would indicate that they had taken out their entire investment in profits, and that they are on velvet to-day; the result of which would be, if Mr. McCook's proposition was accepted, that he would probably get the plant for nothing, although that was not his hope or intention when in good faith he offered to purchase their plant. I dare say he will take it at any figure, as we stated before the Ways and Means Committee, that reputable auditors will ascertain and determine to be the investment of that company, plus a handsome profit.

You may say that is not important, but it is important in this regard and to this extent. Their claim for the passage of this protective measure at this time, is that if it is not enacted their investment will be destroyed. If that is the basis of their claim the case is closed when Mr. McCook suggests that he will take the property off their hands to-day at their original investment plus the interest on their money and a profit. In other words, they can not play fast and loose and demand a protective tariff to preserve them against financial death at the same time that someone comes before them and says, "I will give your capital life perpetual." I believe, as Senator Watson said, in a good humored way, this case is closed. I believe it is closed by the inevitable logic which will force you to your final conclusions. As one gentleman on the committee good humoredly remarked: "That ought to let this committee out."

You must keep this in mind, too, that this document presented by the Northwest Magnesite Co. is presented to you on the theory that these gentlemen are entitled to protection as Americans who entered "patriotically" upon this enterprise to save America during the war. The fact of the matter is—and since they do interject that into this case it is perfectly proper for you gentlemen to ascertain just exactly what the facts were and what the consequences will be if by your legislative act you give them a monopoly. This industry was developed by another and it was taken over by them during the war. And here is what they did when they had a monopoly; here is the act of these gentlemen who are self-designated as the "patriotic" promoters of the magnesite industry in America.

On the 3d day of February, 1919, this letter was written to Mr. P. B. Mossman, of the American Refractories Co.:

SAN FRANCISCO, CALIF., February 3, 1919.

MR. P. B. MOSSMAN,  
American Refractories Co.,  
Pittsburg, Pa.

DEAR SIR: Through the Denny-Renton Clay & Coal Co., in Seattle, we have been selling a small amount of magnesite; in fact the total is only 23½ tons for this year. They have sold some to the navy yard at Bremerton, ground and sacked, at \$90 per ton.

When they had the market in their grasp. Furthermore, they say :

They advised me to-day that they heard that the American Refractories Co. had offered to sell the ferromagnesite for \$35 per ton, delivered in Seattle.

I thought that if you knew what we have been obtaining for this material that you might want to raise your price.

That is from the Northwest Magnesite Co.'s manager. That is from the office of the company that seeks from you protection as a "patriotic" American enterprise. So from the standpoint of business, from the standpoint of patriotism, from the standpoint of sentiment, they have closed the doors against themselves. That letter proves how they would exploit the American people if given the opportunity.

Ordinarily that would be a mere business incident of possibly minor consequence, but it arises to the dignity of a potential factor when you come to judge what will happen in the future if you enact a law that will create an inevitable monopoly over which these gentlemen will have control.

And what is the protection? Against whom do they seek protection? They are seeking protection to-day against a ghost on the 13th day of January, 1920, at a time when the world, economically, politically, and socially is more disturbed and disrupted than it ever was in the history of civilization. In the presence of that disturbed and uncertain state, they introduce questions to this committee as to what may happen in the future.

Senator Curtis, lawyer like, and shrewd in bringing out facts, sought to ask Mr. Mossman and also Mr. McCook what might happen six months or a year from now if matters adjusted themselves in Austria. Mr. McCook says, "I do not know." Mr. Mossman is asked, "What wages will have to be paid six months or a year hence?" and he says, "I do not know." And possibly because we answer, "We do not know," Mr. Bishop will say you are justified in enacting this legislation.

Let us put the shoe on the other foot and ask you gentlemen, if you do not know and we do not know what the conditions will be six months or a year from now, how can they ask you under your oaths to legislate in the dark? How can they ask you to project yourselves into the future and legislate upon a condition that may never arise?

It is an entirely novel idea in American legislation. I do not believe a proposition of that kind was ever presented to the Finance Committee of the United States Senate. And yet that is precisely what they ask you to do in the presence of the fact that the people who must bring that raw material out of the hills, who must ship it over the rope hauls, who must convert it in its first and second processes in Austria, are naked and starving at this very hour.

The city of Vienna, with two and a quarter million population, has not enough bread adequately to feed over one-half of the population. The people of Austria to-day, as every one knows, can produce only food material enough to keep them alive four months in the year, and must import the balance from the outside world. And where are they going to get it? From the rival nations around them? No. Where are they getting it to-day? In odd instances they are getting it from just such men and institutions as Mr. McCook and his patriotic and philanthropic association, who are feed-

ing and clothing them in order that they may get the raw material out of the earth to send to this country. And yet only 7,000 tons of it was shipped to America in 1919.

Gentlemen, I am no Utopian dreamer, I am not flying away into the cloudland of dreams and idealities regarding leagues of nations or other theoretical institutions of that character, but I believe you will agree with me that there is one fundamental duty that the people of the United States owe to humanity, and that is not to put the people of the United States, the greatest, most prosperous, most powerful nation in the world, in the position, by a legislative act, of crucifying the most helpless nation in the world at this hour and shutting off from them the only visible means they have of buying bread, by bringing the raw material from their mountains to the market.

Yet that is precisely what these gentlemen ask the Senate Finance Committee to do. They must admit, for the whole world knows, that Austria and Austria's seven millions of people can secure food and raiment only through the few raw materials they have in their hills. With Vienna and her population that lived on the banking resources, that lived on the salaries of Government employees, that lived as a result of cattle and grain industries whose establishments were centered there, and various institutions whose ramifications extended all through the Empire—those people who are to-day on the verge of starvation and have only here and there a few minor resources with which to barter with the world—are to be confronted with an American embargo. You are asked to say to them in their hunger and nakedness, "The only medium of exchange by which you can buy bread for your mouths, or shoes for your children, and raiment for suffering mothers shall be shut off, and the only market that is known for your product, the United States of America, is closed against you."

I say, gentlemen, it rises to a bigger question than the financial profits of the Northwest Magnesite Co. and \$2,000,000 of the American Refractories Co. That there is a broader and more fundamental question back of this, and that is the natural relation of nation to nation, the natural relation and duty of peoples to peoples, which the United States has always recognized and always will recognize, regardless of the existence of artificial institutions that may be created to bring them into closer relations.

These are some of the reasons why we beg of you to give to this the consideration to which it is entitled, and give these gentlemen notice that when the time comes, if it ever does, when they are in danger, when the ports are threatened with imports, and the market that they now enjoy exclusively is being really threatened, you will consider their proposition; but that at a time when the barriers are up in Austria, at a time when the ports of America may pass magnesite through as free as the air that comes up the bay, and there is practically not a pound of it coming into this country, in the absence of invasion of this market by any country on the globe, you will say to them, "We can not consistently, under our oaths, declare to our colleagues on the floor of the Senate or send to the White House a message to the effect that you are in need of emergency legislation to protect your enterprise. But, on the contrary, you seem to have to be almost in absolute control of the American market."

I thank you, gentlemen.

Senator CURTIS. Mr. Chairman, Mr. Bishop notified me he would like to answer these people. I wish you would hear him now, if you can.

**STATEMENT OF MR. ROY N. BISHOP, VICE PRESIDENT OF THE  
NORTHWEST MAGNESITE CO., CHEWELAH, WASH.**

Mr. BISHOP. Mr. Chairman, it had not been my intention to make any reply to the statements that would be made, as I had already presented the facts to your committee in a previous hearing, and I do not think I care to present any additional facts, except as you may ask me questions. But I would like to answer some insinuations that have been cast which, probably unintentionally, have given to you a wrong impression.

I have tried very hard to divorce this from the atmosphere of a squabble between commercial institutions and base it upon some more solid foundation. I think that Mr. McCook, in his testimony, hit the thing on the head when he said that their property in Germany had been operating during the war under a German officer. That explains, or proves to you the necessity of this material in time of war—that it was necessary for the Germans to take over the American Refractory Co.'s property under their military control and operate it. They operated it to produce material that would produce steel, with the intention of crushing our country. They also used the material, caustic magnesite, which you have heard to-day makes a very quick-setting cement, which will set in a few hours, as compared to the ordinary cement. In the Scientific American we are told this material was used by the Germans to make these gun emplacements and pill boxes.

Now, it was because this German officer was in charge of this Austrian-American magnesite company in Austria that was essential for our Government to help us create an industry in the United States with which to offset the work that they would do. That is the reason that this domestic industry was born, and that we produced the material that made the steel that shot down these pill boxes that this German officer assisted in erecting by operating plant of American Refractory Co.

That is the real crux of this situation, whether it is advisable for the United States, having created this industry, and it having proven essential in the defense of our country, to continue it so that we may be self-supporting in this war-essential mineral, or whether we shall permit this magnesite industry in Austria to crush the industry which we had to create. Beside that question everything else dwindles into insignificance and becomes a statement of insinuations in reference to finances and in reference to a few cents a ton cost, which really has no bearing upon that big economic question.

I know that the American Refractory Co. must regret that in endeavoring to protect their interests in Austria they do not produce 50 per cent of the material in Austria, and therefore when they appear before you to-day they are also representing, unfortunately, the Austrian Magnesite Trust.

There were many things said which really would lead me into a very extended reply, and I hesitate to undertake it, for your sakes. One statement made by both Mr. McCook and Mr. Mossman was that we would not sell them magnesite to-day on equal terms with their competitors. To that I must reply that immediately after I sold material to one of their competitors I wrote them a letter giving them the exact quotations for a like quantity of magnesite. Rather than read you this—which is the complete evidence that I did quote them the same prices and that they refused to buy it—may I ask your permission to insert this in the record?

Senator WATSON. Surely.

Mr. BISHOP. So that my statement will stand as refuting the charge that we would not sell them on equal terms.

(The correspondence referred to is here printed in full, as follows:)

NEW YORK, N. Y., July 2, 1919.

THE AMERICAN REFRACTORY Co.,  
Union Arcade, Pittsburgh, Pa.  
Attention Mr. Mossman:

DEAR SIR: Referring to your letter of some time ago in which you desired to purchase 750 tons of dead-burned magnesite and for which small order we were unable to start our plants, we are now pleased to advise you that we have received an order from Harbison-Walker for sufficient material to justify our starting the plant.

If you are in the market for material such as we have been furnishing you, we should be pleased to quote you upon receipt of information as to the amount you desire and the time of delivery.

Referring to the recent hearings before the Ways and Means Committee, we wish to assure you that it is not our desire that any tariff regulations shall be made which would exclude your Austrian material from the United States. We feel quite certain that you desire conditions to be such as will permit the operations of our plant in the United States. We further wish to assure you that anything that may have transpired at the hearing has in no way altered our desire to continue our pleasant business relations. The writer is leaving New York next Tuesday, July 8. Any communications sent to me at the Hotel Pennsylvania will reach me wherever I am.

Very truly yours,

NORTHWEST MAGNESITE Co.,  
Per ROY N. BISHOP.

[Telegram.]

PITTSBURGH, PA., July —, 1919.

R. L. BISHOP.

Care T. H. Wheeler.

Understand you have resumed operation. We are in market for one thousand ton shipment within thirty days. Please wire us price.

AMERICAN REFRACTORIES Co.

[Telegram.]

JULY 4, 1919.

AMERICAN REFRACTORY Co.,  
Arcade Building, Pittsburgh, Pa.

Am writing you fully regarding your inquiry for one thousand tons.

ROY N. BISHOP.

ALEXANDRIA BAY, N. Y., July 5, 1919.

AMERICAN REFRACTORIES Co.,  
Pittsburgh, Pa.

GENTLEMEN: This acknowledges your wire received July 4 in reply to my letter of July 2 advising you that we were starting our plant at Chewelah,

Wash., and asking you if you desired to purchase any dead-burned magnesite. We are glad to note that you wish 1,000 tons for delivery within 30 days.

We have just received an order from Harblson-Walker Refractories Co. for 10,000 tons to be delivered at the rate of 3,500 tons per month. We wired the mine to start up immediately. The labor is short on the Coast and our common labor wants \$5 per day, whereas we paid \$4 during the war.

We shall make every effort to deliver material as soon as possible, but until we have received further word from the mine as to operating conditions we will be unable to guarantee delivery of 1,000 tons to you within 30 days, although we feel that conditions will permit us to do so.

*Terms.*—Our retail price of dead-burned magnesite is \$32.50 per net ton, f. o. b. Chewelah, Wash.

On an order for 1,000 tons to 3,000 tons, \$29.50 per ton. 3,000 tons to 10,000 tons we quote you \$29 per net ton, f. o. b. Chewelah, Wash.

On an order for 10,000 tons we quote you \$28.50; same terms as above.

*Delivery.*—We shall order an extra kiln started immediately and ship you material as promptly as we can get labor and supplies to turn out the quantity you desire.

*Resale of material.*—While we do not care to make a practice of selling grain material direct to steel companies, but we wish to advise you if the steel companies are charged more than \$32.50 per net ton for our dead-burned magnesite we shall, ourselves, offer it at retail to them for \$32.50 per ton f. o. b. Washington.

*Brick material.*—We realize that you have some inferior material to which the proper amount of iron has not been added and we would request you not to advise the trade that your brick are made of Northwest magnesite, if you should find it necessary to dispose of your inferior material by mixing it with our product.

The writer will be at the Pennsylvania Hotel, New York City, Wednesday morning, July 9, and will be pleased to receive further advice in reference to your inquiry and trust that your judgment will permit you to place an order with us for 3,000 tons or more for future delivery.

Very truly,

NORTHWEST MAGNESITE Co.,  
Per ROY N. BISHOP.

P. S. Terms. We will draw \$15 against B/L and balance due 30 days after shipment.

AMERICAN REFRACTORIES Co.,  
Pittsburgh, Pa., July 8, 1919.

Mr. ROY N. BISHOP,  
Pennsylvania Hotel, New York, N. Y.

DEAR SIR: We are in receipt of your letter of the 5th instant, quoting prices on dead-burned ferromagnesite, but as the price quoted for the tonnage inquired for by us is considerably in excess of what we had expected, we will have to take the matter under consideration and will advise you as soon as possible what tonnage, if any, we can take at these prices.

Yours, very truly,

AMERICAN REFRACTORIES Co.,  
P. B. MOSSMAN,  
Vice President and General Manager Sales.

[Telegram.]

PITTSBURGH, PA., July 10.

ROY N. BISHOP,  
Pennsylvania Hotel, New York:

Enter order 1,000 for shipment 1 car per day, commencing immediately. Consign to us Chicago.

AMERICAN REFRACTORIES Co.  
JULY 10, 1919.

AMERICAN REFRACTORIES Co.,  
Union Arcade Building, Pittsburgh, Pa.

GENTLEMEN: This acknowledges your telegram of date: "Enter order 1,000 for shipment 1 car per day, commencing immediately, consigned to us at Chicago."

Referring to our letter of July 5 we advised you that we would order extra kiln started immediately and ship you material as promptly as we can get labor and supplies to turn out the quantity you desire. We have to-day telegraphed to our plant at Chewelah instructing them to put on extra kiln as soon as possible and we will ship you material as fast as conditions permit. You can of course realize that we would experience difficulties in starting up our plant as rapidly as we desire and we can only accept your order for immediate shipment with the understanding that we shall use every effort to get you the material as rapidly as possible, but we trust that we will be able to make shipment in accordance with your wishes. This confirms our quotation to you of \$29.50 for this material, for which we will draw on you at the rate of \$15 per ton.

Very truly, yours.

NORTHWEST MAGNESITE Co.,  
Per ROY N. BISHOP.

AMERICAN REFRACTORIES Co.,  
*Pittsburgh, Pa., August 29, 1919.*

NORTHWEST MAGNESITE Co.,  
*San Francisco, Calif.*  
Attention Mr. Roy N. Bishop, Mgr.

GENTLEMEN: We have your telegram of the 20th instant and your letters of the 16th and we regret that the car shortage incident to the strike situation in the Northwest is tending to make even more acute the shortage of dead-burned grain magnesite primarily resulting from your suspension of operations during May and June last.

We do not know, of course, on what basis you are proportioning your production over the orders that you have in hand, but we certainly do not feel that we are getting the proportion to which we ought to be entitled. As a matter of fact, we do not agree with you that you were justified in shutting down your plant on May first, as at that time we were ready to place an order with you for 750 tons, which you refused to sell us, even though you had the material in your warehouse ready for shipment. It is also a fact that the Harbison-Walker Co., at that time agreed to take from you the full production of one kiln, which should approximate 1,750 tons per month, so that you had an assured market for the month of May of 2,500 tons, or more than 40 per cent of your claimed capacity, and in view of subsequent developments in the market, your June production would have been still greater, had you continued in operation.

We believe that you will admit that at the price you are receiving for your product, your plant could operate at a fairly good profit on 40 per cent of its capacity.

After the hearings before the Ways and Means Committee on the magnesite bill and you had decided to resume operation, you first closed a contract with the Harbison-Walker Co. for 10,000 tons, which was the accumulation of their May and June requirements, and perhaps their anticipated July and August requirements, and then in response to our inquiry as to whether you could furnish us any material, you quoted us and accepted an order for the thousand tons specified for shipment at the rate of a carload a day, but made it subordinate to the Harbison-Walker order, which we do not feel was impartial allotment of your production. On the contrary, we feel that we were entitled to have shipments started immediately upon the placing of our order with you and that the shipment of the full 20 cars specified for the month of July would not have been much, if any, in excess of our rightful proportion of your production after our order had been accepted. We also feel the same way about our order for 1,000 tons placed with you on August 4.

We wish that it were possible, not only in the magnesite business, but in the other branches of the refractories industry in which we are engaged, to forecast just what our future requirements would be over a period of only a few months, to say nothing of a longer period, but this is quite out of the question, as our customers do not advise us their requirements and probably would not, if they could. We do not know, and we question if you do any industry in which it is the practice for the buyer to place the seller in such an advantageous position as this method would suggest.

For an industry that has the competitive factors in it that are claimed for the domestic magnesite industry, it is indeed a curious situation where the

buyer is forced to jam his orders down the throat of the producer, as is the case between us and we can assure you that if we knew of any producer in the United States that could furnish us with synthetic dead-burned grain magnesite in competition with yours, we could hand them a little business. If you know of any one who is in a position to furnish this material, we would appreciate it if you will wire us their address immediately. The country is full of people that would be willing to accept a contract from us, or any other responsible concern, for enough material at a high enough price to guarantee them a full return of their investment, plus a liberal profit, but we have yet to meet anyone in the domestic magnesite industry who has the courage to spend a dollar of his own and take the ordinary risk that is assumed by any one engaging in any other enterprise.

We presume that when you refer to your competitors, you mean the International Portland Cement Co., who, when they had no cement business, were dead-burning the crude material of the American Mineral Production Co., and as you probably know, we have tried to purchase dead-burned magnesite from this cement company, but find that they have resumed the manufacture of cement and refused to burn any magnesite without a guarantee of a market for four to 5,000 tons per month for months to come, which obviously would return them, at your present prices, a very much larger profit than they could make on cement and naturally they would be willing to do this if we would "hold the bag." This is the only other concern that we know of that could, even though they would, furnish synthetic dead-burned grained magnesite in competition with you and they apparently do not intend to do so unless they are guaranteed a bigger profit in doing it than they can make in their own industry.

We are now back to our original position of being absolutely dependent upon you to meet the magnesite requirements of our customers and in view of the fact that last year we gave you a contract, the profit on which far more than repaid you the investment made in equipment to fulfill the contract, and which was the same kind of a contract that we made every magnesite producer from whom we bought in California, it would seem that we were morally entitled to a little more fair allotment of tonnage on our orders from your production.

We do not see that present or anticipated importations from Austria has any bearing on your division of tonnage on orders placed with you, as the import tonnage is a negligible quantity at present and from indications will be for months to come, and the acute shortage now being experienced by the steel industry is a consequence of the deliberate shutting down of your plant for two months or more and not to any incorrect information as to prospective importations from Austria. We are the only company that has been able to import a single ton of Austrian magnesite shipped from Austria since the armistice, and we have not been able as yet to promise the trade any imported grain magnesite and it is unlikely that we will be able to do so for sometime, so that they would have absolutely no information on which to anticipate importations.

We fully appreciate that you would rather not have our orders, but as it is impossible for us to place them elsewhere, we are obliged to offer them to you and naturally unless they are accepted, we would expect to make a strenuous protest, but we hope that in spite of this you will see that our present order is given a more liberal allotment of tonnage than the July order for a thousand tons.

Yours, very truly,

AMERICAN REFRACTORIES Co.  
P. B. MOSSMAN.

SAN FRANCISCO, CALIF., September 6, 1919.

Mr. P. B. MOSSMAN,

*American Refractories Co., Union Arcade Building, Pittsburgh, Pa.*

DEAR SIR: This acknowledges your courteous letter of August 29.

Your letter makes us realize how futile it would be for us to further endeavor to convince you of our sincere efforts to get material to you in accordance with our understanding. We have evidently been trained in different schools of logic and I can only ask you again to believe that we appreciate your orders and that we have done everything in our power to get material to you. Railroad conditions, labor conditions, shortage of power and other causes beyond our control have disappointed us to the same degree as yourselves.

Your remarks that you appreciate that we would rather not have your orders and that you "are forced to jam your orders down the throat of the producer" greatly shock us. The foundation for these expressions certainly has not come from any expression or action of ours and it disturbs us to think this may be a reflection of your own feelings.

Regarding our letter to you of August 16, we sent similar letters to Harbison-Walker Refractories Co. and the General Refractories Co., requesting them to anticipate their requirements for the balance of the year. We had immediate replies from them specifying the quantity they would desire in monthly deliveries for the balance of this year. Not hearing from you, and knowing you were obtaining material from Austria, we assumed that you made arrangements for your requirements.

The receipt of your telegram of September 2 asking us to enter an order for 2,000 tons to be delivered as fast as possible during September and October is acknowledged. We shall be very glad to enter this order subject to prior orders, which we have on our books, and with the understanding that we will not guarantee delivery of any specified amount although we hope that power, labor, and other conditions will permit us to fill your order exactly as you desire.

Your request that I advise you of other producers of dead-burned magnesite, who might be able to give you your requirements, has caused me to call to the attention of the White Rock Mine and the Pottersville Magnesite Co. the fact that you are in the market for material. They advise me that they will be glad to furnish you your requirements. In the event, therefore, that you should purchase material from them and desire to cancel your last order for 2,000 tons we will accept cancellation.

In order that you may more fully understand our position will say that had you answered our letter of August 16 in which we asked for your requirements, and we had received your reply prior to that of Harbison-Walker or the General Refractories that we would only have accepted their orders subject to your orders, which would have been on our books. I am quite certain that in the delivery of your product to your customers you adopt the same method.

With kind personal regards,

Yours, very truly,

ROY N. BISHOP, *Manager.*

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REQUEST OF AMERICAN REFRACTORIES CO. TO CANCEL CONTRACT.

AMERICAN REFRACTORIES CO.

*Pittsburgh, Pa., May 5, 1919.*

Mr. ROY N. BISHOP, *Manager Northwest Magnesite Co., San Francisco, Calif.*

MY DEAR MR. BISHOP: Mr. Winter advises me that on the occasion of his last interview with you in New York it was understood between you, that upon completion of the shipment of our April quota, our contract with you under date of April 11, 1918, was to be considered terminated. There has been no formal exchange of letters between us canceling the above contract in accordance with this understanding, and while none perhaps is necessary, it will probably be well to have the cancellation a matter of record and would ask that you write us that the above is your understanding.

You might at the same time advise us price f. o. b. Chewelah, on 500 to 750 tons for shipment as we may direct from May 15 to July 1.

Yours, very truly,

AMERICAN REFRACTORIES CO.,  
P. B. MOSSMAN,

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CONTRACT CANCELED.

SAN FRANCISCO, CALIF., *May 10, 1919.*

Mr. P. B. MOSSMAN,

*Vice President American Refractories Co., Pittsburgh, Pa.*

DEAR SIR: Acknowledging yours of May 15, this is to advise you that it was my understanding with Mr. Winter, when in New York, that upon completion of the shipment of your April quota that you would not be required to take any

further ore under the terms of our contract. In the event, however, that we are compelled to pay a royalty to Stowe the terms of our contract covering this matter would still be in effect.

Yours, very truly,

ROY M. BISHOP, *Manager.*

REPLY TO REQUEST FOR 15 TONS A DAY AFTER MINE WAS CLOSED DOWN.

SAN FRANCISCO, CALIF., May 10, 1919.

Mr. P. B. MOSSMAN,  
*Vice President American Refractories Co., Pittsburgh, Pa.*

DEAR SIR: Referring to yours of May 5, in which you ask us to advise you the price f. o. b. Chewelah, Wash., on 500 to 750 tons, for shipment as you may direct from May 15 to July 1, we regret to advise you that on May 1 we closed down our mine and are merely running through some ore we had in the bins in order to complete the unfilled contract we had with you, which, in previous correspondence, was continued over until the month of May.

We felt that Harbison-Walker Refractories Co. and yourselves were so loaded with material that it would be wise to permit you to reduce your stocks and allow conditions to become normal again. We can obtain sufficient orders to run in a small way at our plant, but you can realize that it is not economical for us to do so.

We shall be pleased to have your company advise us as to the condition of your stock, as Harbison-Walker are doing, so that we may anticipate the time that it will be advisable for us to again start our plant.

Yours, very truly,

ROY M. BISHOP, *Manager.*

Mr. BISHOP. In this little brief which has been prepared by American Refractories Co. there is a statement on page 22 of their costs, the only sworn statement I have seen. That shows \$21.94 per ton including their depreciation, depletion, etc. I would like then to have you look at my sworn statement which shows \$21.09. Their cost is at Trieste; my cost is at Chewelah, Wash.

As to the freight cost between the two points, you will see that there is a difference to-day of \$10 in their favor, taking their sworn statement and my sworn statement. If you will permit me to tell you that the freight rate of \$6 is high—because the material can be brought over to-day for \$3—it will make a difference on their own statement of \$13. I do not care to discuss that but merely ask you to study that, and you will see on their own sworn statement that they can bring magnesite in here to-day and exterminate American industry.

As further evidence of their position, in reference to preparedness, they say:

The truth is that, although there is no likelihood of it, the best thing that could happen to further the cause of preparedness in this country would be to close down the domestic magnesite completely.

Their suggestion is that we become dependent on Austria for our magnesite that we require in time of war. Buy from them in times of peace and from the United States in time of war.

This map, showing the cost of freight to the various points, would have been better if they had stated that only 4 per cent of it is sold west of the Mississippi River. It would have been a little more fair if they had placed that on the map.

Mr. BURKE. That would not have been the truth.

Mr. BISHOP. What per cent would you say?

Mr. BURKE. Mr. Mossman gave it to you in detail.

Mr. BISHOP. What per cent would you say west of the Mississippi River, Mr. Mossman?

Mr. MOSSMAN. Our shipments for 3 years showed 30½ per cent going to points west of the Mississippi.

Mr. BISHOP. Then, they should put 30 per cent there. My information was that it was not over 10 per cent.

Senator THOMAS. I think that is on the map.

Mr. BISHOP. My information from Harbinson-Walker was to the contrary.

Mr. Mossman has made an insinuation as to why we shut down, which he could not further explain. In the spring of 1919 when I was East and when Mr. Hoover had cabled to the refractories companies asking them if they would buy the magnesite which he intended to send from Trieste in the returning food-relief vessels, the refractories companies then advised me that they did not care to purchase any more material from me. I felt that this was good business judgment on their part because if the Austrian material should come in at a lower price than I could produce it they naturally would not want to be loaded up. At that time Harbinson-Walker had about 7,000 tons, and the American Refractories Co. had about 7,000 tons which they thought would be sufficient for them until they could see whether the Austrian material was coming or not.

About that time the American Refractories Co., confident that the Austrian material would come in, reduced the price upon magnesite. My contract with the American Refractories Co., similar to the Harbinson-Walker Refractories Co. contract—which I hope you will read in the House hearings to avoid a repetition—said that I had nothing whatsoever to do with the sale price of the material. I went to them in 1917 and said, "We have a plant in which we have invested nearly \$900,000—on which we are obligated to spend that much—and we know nothing about the market, and we would like to make an arrangement by which you will market our material." This was to Harbinson-Walker that I was talking at the time.

I took their word in reference to what would be fair. We had never produced this material, so we did not know what it would cost us, but I made an agreement with them, which was merely a moral understanding, that they would take our material and pay us a certain percentage of the sale price of it. That is, they were practically selling the material and they had the sole control over the sale price. Certainly I could not profiteer under those conditions.

Soon after making this contract with them I saw Mr. McCook and Mr. Winter, and started to make the same sort of contract with them. Mr. Cook drew up a contract, and I felt that he had not grasped the moral understanding that I was trying to have with them, whereby we would have an agreement that would make it to our mutual advantage to operate in the way I had indicated. I felt that he thought I was a young man that had come from the West, and was giving them one-half our plant and he was going to take the other half, and I did not feel that he understood my attitude. I did not care to make a contract with him and came to Washington, D. C. Afterwards, I got in contact with Mr. Winters, who sent for me, and I explained the moral contract that I wanted to make. Mr. Winters said he understood it to be a moral agreement and Mr. Mossman came

to New York, where I was, and we made this contract, which was practically a repetition of the Harbison-Walker contract, whereby the American Refractories Co. has the sole control as to the selling price of my magnesite, the same as Harbison-Walker. Our contract was based on moral confidence or I should not have placed ourselves in their hands.

When the American Refractories Co., confident that the Austrian material would come in, reduced the price I saw them and told them they had reduced the price so low that I could not produce it at that price, and I could not continue on that basis, there being a moral understanding that they would notify me before they would reduce the price so that I could tell whether I could operate at a profit or not. I advised them that I could not, and they felt that I should do it. We then took advantage of cancellation clause and canceled the agreement. We only owed them 1,000 tons upon the contract. They had been paying \$28.12, and they wanted me to sell it, I think, for \$24, and I bargained with them, and held out for \$26 a ton so as to clean up the contract with them.

Just prior to this, Harbison-Walker had realized when I showed them the figures, that they had made more than I had, and voluntarily raised the price that they had been paying me from \$28 to \$31.75 without raising their selling price. The other concern, the American Refractories Co., were endeavoring to beat my price down in spite of our moral understanding. I recognized it was not right to Harbison-Walker to be charging them \$31.75 and the others \$26, and so I voluntarily reduced price to Harbison-Walker to \$26 per ton.

When I returned to San Francisco I received a letter from Mr. Mossman in which he stated it was their understanding that their contract was completed by the verbal understanding we had, and wished me to confirm it in writing. That was about May 5, 1919. I confirmed it in writing, that I felt that our contract was concluded after they had taken that ore and they would not have to take any more. At the bottom of the letter he also asked if I could not sell him 750 tons of ore to be distributed over the next two months, 15 tons a day, to which I replied that I regretted we had shut our mines down the first of the month and were just clearing up, and would not be able to give him the material, but if he would keep me advised as to his stock so that I would know when it would be necessary to start up—he had 7,000 tons at his works.

About this time the Harbison-Walker Refractories Co. communicated with me and said they would keep one kiln going for me if I desired to sell the material at \$23 a ton; that they would keep the one kiln moving so I could keep my organization together until they could find out what the Austrian situation was going to be. I advised them that my cost the previous month had been \$24.61, and if they could not give me an additional price I thought it would be wise to shut down until we could all find out what the conditions were going to be with Austria. I therefore shut the mine down on the first day of the month, before Mr. Mossman had even written asking for any ore, and cleaned the bins out at the mine. I wanted to have the bins empty, so that in case of rain or anything the bins would not settle.

That was the reason we shut down. We did not shut down, gentlemen, because we wanted to get a tariff. I was sick in bed at the time, and I telegraphed back here to one of my associates who was here, and told him we had been compelled to shut down because the Austrian magnesite was coming here, and asked him to go to Washington and find out if it was true they were going to bring that material back in the food relief vessels. He came over here and saw Senator Poindexter and Senator Jones, and they went to the Shipping Board to investigate and found out it was true, and started this tariff proceeding.

Senator THOMAS. Well, was that true, that these ships were to be loaded with magnesite?

Mr. BISHOP. They had a request from Mr. Hoover as to whether they would do it; that is absolutely true. It did not materialize. Mr. Hoover was merely inquiring as to whether they would do it.

There was a letter put in here which, by itself, creates a false impression. It was in reference to some sales made by Denny-Renton to the United States Navy. The reply was not inserted. I happen to have the reply here.

The letter was with reference to a few tons of ground magnesite which I had heard that Denny-Renton were selling in competition at \$90 a ton. The inference they give you is that this is the same magnesite that we were selling back here in the East, whereas it was a fine ground magnesite that they put in sacks, and use in cementing in between the bricks. The reply I desired to it was not as to whether they were selling it at \$90, but whether they had reduced their price from \$37.50, for which they were selling magnesite, to \$35 without advising me. Here is the reply to my letter:

AMERICAN REFRACTORIES Co.,  
Pittsburgh, Pa., February 10, 1919.

Mr. ROY N. BISHOP,  
San Francisco, Calif.

DEAR SIR: We have your letter of the 3d instant and note that the Denny-Renton Co. have advised you that they had heard that we were offering ferromagnesite at \$35 per ton delivered in Seattle. We do not know what the freight rate from Chewelah to Seattle is, but it must be almost as much if not more than the difference between our price to us and \$35, which should be sufficient answer to the above statement. We have not quoted a price of less than \$37.50 per net ton f. o. b. Chewelah to anyone, on ferromagnesite. This was the price paid by the Anaconda Co. on the carload we shipped to them and which they advised us was in excess of the price they were paying for shipments from Irvin. On the shipment recently made to Mare Island, San Francisco, the price was \$45 per net ton in sacks, f. o. b. Chewelah.

It would be impossible for us to quote on pulverized ferro magnesite from any point but Baltimore, and naturally our sales of pulverized material are very light, especially in the West, as a buyer would not fancy the idea of having the material shipped from Chewelah to Baltimore and back again to the coast for the simple process of pulverizing.

We are quite sure that we are getting a fair price and probably all that the traffic will bear, on pulverized magnesite, as you will understand that any one using any quantity of this would have a pulverizing plant of their own in which they can grind magnesite as well as other raw materials.

Yours, very truly,

AMERICAN REFRACTORIES Co.,  
P. B. MOSSMAN,  
Vice President and Treasurer.

They were simply casting an insinuation that I was trying to get all the money I could.

Mr. BURKE. The thing I commented on was the last line, in which you said that if our company knew this they might want to raise the price.

Mr. BISHOP. Yes. I thought it was unfair to put it in without your reply, and I will just leave them in the record.

Mr. BURKE. That letter, of course, was in before the Ways and Means Committee in the original hearing.

Mr. BISHOP. As for Mr. Dolbear's testimony, you will find the Government has a full report on that and he had added nothing new, and it is included in the House hearing by Bureau of Mines.

In reference to Mr. Walker's testimony, he has referred to a company out there as the Western Materials Co., and he referred to a certain property there which was producing 20 tons of material. That property is the property that has been taken over by the American Refractories Co.—

Mr. McCook. Oh, no; you are wrong altogether. We had only started to examine it.

Mr. BISHOP. I do not want to be incorrect. So as not to be incorrect, unless you object—

Mr. McCook. I will not object to truths.

Mr. BISHOP. I will place in the record the option to the property which the American Refractory Co. has.

Mr. McCook. We have an option on it and are examining it.

Mr. BISHOP. So that it may be understood, I would like to put your option in the record—unless you object for business or financial reasons.

Mr. McCook. I do not care. Yes; that is the truth; we have an option on it. It is on the public records out there, and you were out there examining it, too.

Mr. BISHOP. No; I have not been up there; I have never seen the property.

Mr. McCook. No; not on the property; but you were with the people that gave that option.

Mr. BISHOP. I will have to ask you to withdraw that statement because I have never been within 10 miles of the property.

Mr. McCook. I did not say the property. I said you were up where the people are who gave that option.

Mr. BISHOP. No—well, there is no use of contradicting that, because I was not there.

Mr. McCook. Not on the property.

Mr. BISHOP. I have not talked with the people for two years with reference to it. I desire to show that you will develop American property if tariff is granted.

(The document referred to is here printed in full, as follows:)

#### AGREEMENT.

Document No. 53111, dated October 14, 1919. Filed for record October 22, 1919, at 1.45 p. m. Recorded in Book E Leases, at page 208.

F. M. Handy and Florence G. Handy, his wife, and R. E. Keller and Edith H. Keller, his wife, parties of the first part, and American Refractories Co., a corporation, party of the second part.

The parties of the first part represent and state to the party of the second part that they own or control a lease of land in sections 17 and 18, township 31, range 39, dated September —, 1919, made by the Double Eagle Mining

Co., of Valley, Stevens County, Wash., and now recorded in the office of for the recording of deeds and agreements in said county, in Deed Book, Vol. —, p. —; whereby they as lessees have the right, inter alia, of mining and removing magnesite ore for 25 years from date, during the first 10 years of which they have the right to remove any quantity of magnesite rock they may desire at a royalty of \$2,500 per annum, which royalty being paid no further royalty accrues under said lease; and that during the first year the lessees thereunder have the right to anticipate the payment of all royalties accruing during the period of the term of the lease by the payment of \$20,000.

"The first parties desire to sell this leasehold to the second party and the second party desires to purchase the same, but as it has not had an opportunity to examine the title of the first parties or to inspect the leasehold above referred to, the second party makes this agreement entirely upon the faith of the representations herein stated.

"Now, therefore, the first parties do hereby give the second party the option to purchase said leasehold and all properties, machinery, improvements, and rights of the first party therein and thereon, at any time within six months of November 1, 1919, for the sum of \$60,000, of which sum they have paid the first parties the sum of \$5,000, the receipt of which is hereby acknowledged. In case the second party elects to make such purchase and does make such purchase within the said period of six months from November 1, 1919, the sum of \$5,000 is to be credited pro tanto as purchase. In case the second party elects not to purchase then the \$5,000 becomes the absolute property of the parties of the first part. The first parties agree that they will deposit said leasehold and a full, legal and satisfactory assignment thereto, to the second party, conveying to the second party said leasehold premises and all rights of the first party to the premises and all machinery, appliances, stocks and materials on hand, by November 1, 1919, with the Old National Bank, Spokane, Wash., to be held in escrow by it under this agreement and to be delivered to the second party whenever the second party, on or before May 1, 1920, pays to said Old National Bank, the sum of \$55,000. In the meantime and up to November 1, 1919, the second party or its representatives shall have full rights and opportunity to examine the said leasehold and the title of the first party to the said leasehold premises before paying said sum of \$5,000. Pending the duration of the option, the second party shall have full and free liberty to go upon the leasehold premises and to test, explore, and develop the same to any extent it deems proper, with the view of determining the quantity, quality, and location of magnesite upon said leased premises; causing as little interruption to the operations of the first parties on said premises as is reasonably necessary. The Old National Bank of Spokane, Wash., assumes no duty of responsibility under this agreement, other than to accept for deposit the papers above referred to and to deliver them to the second party upon its payment to said bank of the sum of \$55,000 on or before May 1, 1920.

The first parties further agree that between the date of the deposit of said papers in escrow and March 1, 1920, they will use their best endeavors to secure for and in the name of the party of the second part, the following options:

First. An option on the mountain stream adjacent to the above-described property and also sufficient land along the banks thereof suitable to conduct the water to and for the use of a power-generating plant, and for the further right of way for a power line from the said generating plant to the property herein optioned.

Second. Options to purchase any neighboring properties the party of the second part may designate to said parties of the first part.

Third. Options to purchase a right of way to construct, maintain, and operate an aerial tramway from the Double Eagle property herein first optioned, in a reasonably direct line, to the main line of the Great Northern Railroad at or near the village of Valley Stevens County, Wash.

Fourth. An option to purchase a plant site of such acreage and in such location as may be designated by the party of the second part at or near the village of Valley, Stevens County, Wash., with right of way for switch connection to the main line of the Great Northern Railroad.

Fifth. An option to purchase land in section 9, or a neighboring section thereto, in township 31, for the purpose of erecting, maintaining, and operating a power plant and rights or rights of way to carry the water from Wait's Lake and from the creek flowing through section 9 to said power plant and

right of way to construct, maintain, and operate a power line from the site of the power plant to the plant site at or near the village mentioned in the next preceding paragraphs.

The parties of the first part further agree to deliver to the party of the second part, the output of calcined magnesite mined and produced by the parties of the first part from the above-mentioned leased premises, such output being stated to be approximately 1,000 tons per month, and the first parties warrant that this calcined magnesite shall come within the following specifications:

Magnesium oxide not less than 82 per cent; silicon dioxide not to exceed 7 per cent; calcium oxide not to exceed 2.5 per cent; loss on ignition not to exceed 4 per cent.

This material is to be delivered in bulk in box cars on the railroad at Valley, Wash., and is to be paid for by the second party at the rate of \$20 per net ton of 2,000 pounds; 75 per cent thereof being cash to be paid against sight draft upon presentation of sight draft at the offices of the second party in the city of Pittsburgh, Pa., with bill of lading attached, and the balance of 25 per cent to be paid in case upon arrival of the shipment and check analysis being made at destination. If the material shipped does not conform to the above specifications, the party of the second part may either accept or reject the shipment, at its option, but upon such rejection the magnesite shall be held at the disposal and risk of the first parties and the second party shall not be in any way responsible for the return of the magnesite or for the payment of any portion of the purchase price thereof.

This agreement for the sale and delivery of calcined magnesite is to take effect upon and when the deposit of the leasehold above referred to in escrow has been made with the Old National Bank of Spokane, Wash., and shall continue during the period of this option. At the time of the deposit of the leasehold, the second party agrees to advance to the first party against future deliveries of such material, the sum of \$5,000, and the second party shall deduct out of each shipment made to it and apply to the repayment of such advancement of \$5,000, \$1 per ton of 2,000 pounds of such material shipped to and accepted by the second party. In case, at the time that the second party elects to exercise its option and purchase said leasehold, any portion of the said advancement of \$5,000 remains unpaid, such unpaid balance shall be deducted from and credited upon the said sum of \$55,000 to be paid for the leasehold. In the meantime, the first parties agree that they will use the said advancement of \$5,000 in improving the leasehold premises by the construction of a tramway from the quarries to the kilns located on the leasehold premises and in such other ways as will be a specific improvement to the magnesite works on such leasehold premises.

It is further mutually agreed that the second party shall be entitled to an extension to July 1, 1920, of its option to purchase said lease and leasehold premises and improvements, provided that it pay the first parties, on or before May 1, 1920, the further sum of \$1,000 for such extension and thereupon the option to purchase is extended to July 1, 1920, and the first party shall continue until the same date, to deliver to the second party, the output of their works for the additional time under the terms hereinbefore stated and at the rate of approximately 1,000 tons per month.

For the true performance of the covenants and agreements aforesaid, each of the said parties binds himself, his heirs, executors, administrators, and successors unto the other, his executors, administrators, successors, and assigns, firmly by these presents.

F. M. HANDY. [SEAL.]  
 FLORENCE G. HANDY. [SEAL.]  
 B. E. KEHLER. [SEAL.]  
 EDITH M. KEHLER. [SEAL.]  
 AMERICAN REFRACTORIES CO.  
 EMIL WINTER, *President*.

Attest:

A. G. SPINLOCK, *Assistant Secretary*.  
 C. C. PHILLIPS.  
 E. B. HUTCHECK.  
 J. E. MOORE.

(Seal: American Refractories Co., Pittsburgh, Pa. Incorporated January 15, 1906, under laws of West Virginia.)

STATE OF WASHINGTON,  
*County of Spokane, ss:*

On October 20, 1919, came the above named Florence G. Handy, wife of F. M. Handy, and B. E. Kehler, and acknowledged the above agreement to be their act and deed to the end that it may be recorded as such; to and before Belle Stockwell, notary public.

[SEAL.]

Commission expires June 23, 1922.

BELLE STOCKWELL, *Notary Public.*

STATE OF PENNSYLVANIA,  
*County of Alleghany, ss:*

On October 14, 1919, came the above-named F. M. Handy, and acknowledged the above agreement to be his act and deed to the end that it may be recorded as such; to and before

[SEAL.]

C. C. PHILLIPS,

*Notary Public, Pittsburgh, Pa.*

My appointment dated April 1, 1919; my commission expires April 1, 1923.

STATE OF ILLINOIS,  
*County of Cook, ss:*

On October 17, 1919, came the above-named Edith M. Kehler, wife of B. E. Kehler, and acknowledged the above agreement to be her act and deed to the end that it may be recorded as such; to and before

[SEAL.]

J. E. MOORE, *Notary Public.*

Commission expires March 22, 1922.

STATE OF ILLINOIS,  
*County of Cook, ss:*

Clerk's certificate of authority of J. E. Moore as notary public in and for Cook County, dated October 17, 1919, by Robert M. Sweltzer, county clerk of the County of Cook.

Seal of the County of Cook, Illinois, March, 1831.

Mr. BISHOP. Mr. Burke says, stop this tariff proceeding until the market is being flooded with Austrian material. Now, we are confronted with a condition out there, where we have been gouging these mines of material as fast as we could, and it is necessary to now develop further our properties so as to produce it economically. We also require a power line to be put in at a cost of about \$100,000. We have a creek out there that has very little water in the summer and which freezes in the winter. I can describe that to you by reading a telegram:

DECEMBER 23, 1919.

AMERICAN REFRACTORIES Co.,  
*Union Arcade, Pittsburg, Pa.*

This acknowledges your telegram of December 16, received on my return to San Francisco from the East. In order to insure continued production of magnesite by ourselves it will be necessary for us to build a power line at a cost of about \$100,000 and to make further capital investments. We do not feel justified in making these investments until we have definite knowledge in reference to proposed tariff. If you are successful in your efforts to prevent us from obtaining the tariff which is necessary to permit continued operations we will be compelled to close down our operations.

Under the present conditions therefore we will not be in a position to definitely quote you for magnesite during the next six months, as on account of shortage of power we will be unable to fill your requirements. If we should obtain a tariff that will justify our operating, we feel we can on 60 days' notice furnish you all of your requirements of magnesite at same price you are now paying unless something very unusual in labor or freight conditions should occur.

Rox N. BISHOP.

Mr. BISHOP. I have notified all the refractory companies that unless we soon obtain a tariff that we will not be justified in building power line and making other capital investments which are nec-

essary to assure continued production. We will therefore be compelled to close down and Austria and the American Refractory Co.'s deposit will again obtain a monopoly and supply the world market with magnesite and the American producers will charge off their losses as a part of their contribution to winning the war and saving our country.

I want to touch for just a moment on the plastic question, or the magnesite cement. On the occasion of the last hearing, when I went into the meeting I did not know we were in any way going to conflict with the users of plastic material. Immediately after the House hearing I went over to New York to see Mr. Page and several others to find really what was the source of the trouble.

I found that they thought there was going to be an increase of \$25 a ton put on their cost to them. I explained to them that the tariff we were asking was merely in order that we could maintain prices which we now had. As the evidence has to-day been given to you by them, they have prospered very much and are growing very rapidly, they state, under the conditions that exist to-day, under the prices which they have.

The material out of which we make refractories requires a certain specification, a certain chemical analysis. The analysis of the material out of which we can make the plastic or cement material is a little more elastic; we can use more impurities which we have to discard in making our refractory material. So in order to use that material I thought we would endeavor ourselves to make the plastic material. Before doing that I engaged a chemical engineer to go around among all these plastic men to find out really what was source of their trouble.

The greatest complaint we found was, as they have testified today, that the material was not standardized; that at one time they would get a material of one quality and at another time of another quality.

After getting that information I went to the Bureau of Mines and made a contract by which we are now carrying on experiments to see if we can not standardize the plastic magnesite the same as cement was standardized years ago.

The Northwest Magnesite Co. then signed a contract with the Bureau of Mines to put up all the money necessary to carry on these experiments, cooperating with the Bureau of Standards, the Mellen Institute in Pittsburgh, and the University of California. We have put in equipment, and feel that we have now already accomplished something that will compel these men to accept a better article. They are all glad to see us doing it, and we are endeavoring to cooperate with them to standardize this material to make it a better material for them, which I feel we will be able to do through these Government institutions, that we are working with.

I am working with the Bureau of Mines for this broad reason, that whatever we discover may become public property, and all the magnesite producers in the United States will learn how to make it, so that we will all make an equal quality and depend on our efficiency for our profit. I consider that to be good business judgment, rather than have a competitor of mine making an inferior article.

Your committee should note that the only refractory company opposing this bill is the one that owns the large interest in the

Austrian magnesite deposits. The other refractories companies in the United States who, before the war were compelled to buy their magnesite from the Austrian-German magnesite trust, are not before you stating that their business will be injured if they buy the American magnesite, which they testify is equal in quality to Austrian magnesite. They do not want to oppose this bill and by so doing endeavor to place in reality a protection on the product of the Austrian magnesite trust.

Your committee will note that the opponents of this bill do not refer to the reports of the Bureau of Mines, the Geological Survey, the Tariff Commission, and other Governmental documents which show that the magnesite industry grew from one mine in 1913 to 65 mines in 1917.

The testimony of the proponents of this bill has been entirely corroborated by the Government's departments and publications. The opponents of the bill have endeavored to impress your committee that this is a business quarrel between them and the largest American producer. They neglected to state that their very action before your committee is now preventing the erection of equipment on many magnesite mines and the development of these mines so that they may continue producing.

What prudent person is justified in further investment in the magnesite industry until Congress assures them they will be on a competitive basis with Austria.

The opponents of this bill suggest that you defer consideration of this measure until the Austrian material floods our ports. With like reasoning I presume they would endeavor to insure their factory after it had been burned down.

They state that we control the resale price of this material, or tell them at what price they should sell the material. The correspondence which is presented in this testimony will show that we merely advise them that if they sell the product above \$32.50 per ton f. o. b. Chewelah to the steel companies, we ourselves will sell it at that price direct to the steel companies. We place no limit on the refractories companies as to how low they shall sell their material, but have merely endeavored to prevent the refractories companies from overcharging the steel companies, and thus injuring the American magnesite business.

The really vital question is whether Austria, who has enjoyed a world monopoly, shall be protected, or whether our American magnesite industry, created in order to defend our country, shall be permitted to compete with this Austrian monopoly. As a sane policy for the future protection of our country we hope you will not kill the industry you had to create in order to defeat Germany and Austria.

I desire to submit at this hearing the sworn statement of costs of the six largest magnesite producers in the United States, which shows:

	At mine.	At Atlantic ports.
Average cost per ton.....	\$25.13	\$41.20
Lowest cost per ton.....	21.09	37.22

As these are the sworn statements of the producers, they represent the authentic cost of producing magnesite in the United States.

Mr. Walker, who states that he is a magnesite expert, presents in detail an estimate of the cost of producing magnesite in Washington State, apparently in an endeavor to disapprove the sworn statement of the operators. Mr. Walker and Mr. Underwood are employees of the American Refractory Co., who since the hearing before the House have been in Washington State overseeing the development of a magnesite property upon which the American Refractory Co. has an option as set forth in this hearing. The superintendent of the Northwest Magnesite Co. was instructed to assist these gentlemen in every way possible in the development of the property upon which they had an option, and they have been extended the courtesy and freedom of complete access to our mine and works. As an explanation for each figure which Mr. Walker has presented in his supposed statement of costs, he has made a statement of the sources of the information upon which he was able to make his guess as to the truth. From 25 various sources, chiefly inquiries from laborers employed at the Northwest Magnesite Co., he has obtained incorrect data, which he has compiled into a cost statement, which he asks you to believe in place of the sworn statement of the officials of the Northwest Magnesite Co. His references read like the diary of a private detective agency, and his methods seem entirely unnecessary when the sworn statement of costs had already been presented at the House hearing and was available for his inspection. As his conclusions are based upon gossip, we submit that his evidence has been obtained from sources which were irresponsible and that no consideration can be given to his conclusions as compared to the sworn statement of costs presented.

Mr. Mossman in his testimony has been able to show two costs of producing magnesite at the present time in Austria by his company; one of the statements is sworn to by their representative before the United States consul at Trieste; the other is a compilation of figures, to which has been added the cost of shoes, lard, bacon, etc., which they have sent to Austria since the armistice, all of which they have charged against the few tons of ore which they state they have imported. As the latter report, therefore, admittedly does not represent the actual cost, your calculations as to tariff required should be based upon their sworn statement. In the final analysis it will be your desire to know the cost of producing material in Austria and in the United States so that you may intelligently arrive at the tariff required. Your attention is called to the fact that the costs shown in the sworn statement of the American Refractory Co. are those that exist in Austria to-day in its chaotic state of unrest, and as this condition can not long exist, it is merely a question of months until more normal conditions obtain, and, therefore, a reduction in the cost of producing magnesite due to these improved conditions. Your attention is also called to the fact that immediately after the armistice the ocean rate for magnesite and similar material which is used for ballast of vessels was \$7.50 per long ton. As the ocean carriers are increasing, it becomes necessary for many vessels, if they are unable to obtain profitable ballast, to actually buy ballast material for ballast in their vessels and pay for unloading it at American

ports. For this reason ballast material similar to magnesite can now be brought from Europe for \$3 per ton, and it is most reasonable to presume that the prewar ballast rate of less than \$2 will soon maintain. We feel justified, therefore, in basing our estimates of costs of Austrian material at Atlantic seaports upon the costs at Trieste plus \$2 a ton delivered at Atlantic ports.

By some strange method Mr. Mossman figures rail freight rate from vessels to Baltimore works \$1.06, whereas the ocean dock at which their magnesite is unloaded is located a few yards from their works. One is at a loss to account for this rail charge.

Let us place in parallel columns the cost according to the sworn statements of both the Austrian material and the average domestic material at the mine and we will have the authentic figures upon which a tariff should be based.

*Sworn cost statements—plus \$2 ocean charge.*

	At mine.	At Trieste.	At United States Atlantic ports.
Average United States.....	\$25.13	.....	\$41.20
Austrian.....	17.69	\$21.94	23.94
Difference in costs.....	7.44	.....	17.20

Let us in a similar manner show in parallel columns the sworn statement of the Austrian cost and the sworn statement of the lowest American producers.

*Sworn cost statements—plus \$2 ocean charge.*

	At mine.	At Trieste.	At United States Atlantic ports.
Lowest United States.....	\$21.09	.....	\$37.22
Austrian.....	17.69	\$21.94	23.94
Difference in costs.....	3.40	.....	13.28

These sworn cost statements show that the average American producers, even under the present Austrian conditions, are requiring a tariff of over three-fourths of a cent per pound, and that the lowest cost producers will require a tariff slightly under three-fourths of a cent per pound. Is it not fair to presume that Austrian conditions are the worst that they will ever be and that the change must be for the better and the lowering of the cost?

Mr. Mossman has endeavored to impress you with the fact that if they can not obtain Austrian material their plants, located as they are, will necessarily be abandoned. Is it not a fact that hides are shipped from California, Colorado, and New Mexico to the New England States, where they are manufactured into shoes, then reshipped to California, Colorado, and New Mexico? Is it not a fact that tin is shipped from Bolivia to England and then reshipped to the United States where it is manufactured into cans and are not the tin cans shipped to Bolivia and Alaska?

In the first place we submit that Austrian material will be imported, as the only tariff we are asking for is that which will place us upon a competitive basis with Austria.

He presents data showing the difference in freight rates from the eastern coast and the western coast to certain points in an endeavor to show that the western material would have a great advantage over the Austrian material delivered to such points as Chicago. In making these calculations he has used the local freight rate between New York to Chicago; whereas, as a matter of business practice imported magnesite intended to be delivered to Chicago does not pass through New York, but goes to New Orleans, where it enjoys the import rate of \$2.60 per ton to Chicago, instead of \$6.60 as he states. If Austrian material should be shipped through Chester, Pa., the import rate to Chicago would be \$3.40. He even indicates Austrian magnesite as being delivered to New York and shipped to Birmingham, Ala., at a high freight rate; whereas, if magnesite from Austria were intended for Birmingham, Ala., it would be shipped through New Orleans and enjoy a very small rate from New Orleans to Birmingham. No reliance can be placed, therefore, upon his method of calculations, as they are based upon assumptions of conditions which would not exist.

Mr. Mossman complains because he has been unable to obtain from the Northwest Magnesite Co. the magnesite in the quantity and at the time he desired. Your attention is called to the fact that upon the same day that the Northwest Magnesite Co. entered into a contract with the Harbison-Walker Refractory Co. for the manufacture of 10,000 tons of dead-burned magnesite, that they wrote to Mr. Mossman and urged him to likewise give an order for 10,000 tons. He was, however, still confident that he would get the material he required from Austria and would only place an order after many days of deliberation for 1,000 tons. It was the fact that Mr. Mossman would not place an order greater than 1,000 tons, or sufficient to justify the starting up of other magnesite properties, which prevented the other magnesite mines in the United States from being in a position to reopen their mines. Several are ready to furnish him his requirements when a tariff is placed upon magnesite so that they may with good judgment reopen their properties and better equip them. During the war many magnesite mines were compelled to have the material treated in cement plants for the reason that they could not during the war purchase the necessary equipment. Now that the cement plants are operating on cement, it will be necessary for these magnesite mines to independently equip themselves with the machinery necessary to produce the dead-burned material, and this they are not justified in doing until Congress assures them of the protection necessary.

On August 16 Mr. Mossman was again asked to advise us of his requirements for the balance of the year so that we might make our plans accordingly. All other refractory companies were likewise advised. All other refractory companies immediately advised us of their requirements and their orders were placed upon our books. Sometime afterwards Mr. Mossman, still finding that he could not get the Austrian material he desired, requested that we give him material. We accepted his order subject to the orders already on our books and have since been delivering him material. Had it not been

for the unusual shortage of freight cars which at times compelled us to run our plant at one-fifth capacity Mr. Mossman's delayed order would have been completely filled in accordance with his wishes. Mr. Mossman, having made an error in business judgment by being unwilling to order sufficient magnesite, now desires to place the blame elsewhere.

In an endeavor to cover the fact that Austria has already had a complete monopoly of the magnesite industry the American Refractory Co. seek to call the Northwest Magnesite Co. a monopoly. In the previous hearing before the Senate committee it was shown how absurd it is to call a concern who owns one-eighth of the magnesite discovered in the United States a monopoly. If you place a tariff on magnesite the American Refractory Co. will continue the development of a property upon which they have an option in Washington State. Other mines are awaiting your action in order to know whether they can put up their machinery and complete their plants and establish the magnesite industry in the United States upon a firm competitive foundation.

That an emergency exists is evidenced by the fact that the larger refractory companies are only willing to place their orders for a few months in advance. Their sound business judgment advises them that when the unrest in Austria is settled it will be entirely possible and probable that they can buy material in Austria at a lesser price than the American producers can afford to produce it for them. This is the emergency that prompts the American producers to ask you to immediately give favorable consideration to this bill so that they may develop and equip their property upon a permanent basis.

The previous hearing on magnesite on December 16, 1919, before your committee gives in detail references to the House hearing which may contain additional data you will desire.

Mention has been made that the sintered dead-burned magnesite manufactured by the Northwest Magnesite Co. is a raw material and that there should not be a duty placed upon raw material. A treatment plant costing \$770,000 has been erected by the Northwest Magnesite Co. in order to manufacture the crude raw magnesite into a finished product. The American Refractory Co. themselves state that they only use 50 per cent of the material to make bricks and that the other 50 per cent of the finished manufactured product of the Northwest Magnesite Co. is sold direct to the steel companies. As a matter of fact the chief work in the manufacturing of this material is performed by the Northwest Magnesite Co., as the only transformation that is made by the American Refractory Co. is by adding water to the finished product of the Northwest Magnesite Co. and pressing it into the form of a brick. Had we not erected this treatment plant at a cost of over three-quarters of a million dollars and were shipping the crude magnesite to the brick manufacturers we would be content to have it called raw material.

The following is a recent statement appearing in the Washington Post of the former chairman of the War Trade Board explaining to the officers of the War College the value of certain minerals during the war and the difficulty of the War Trade Board in obtaining them during the late war. The War College is advised to make arrangements so that in a future war our country may have the material at hand they require:

BARUCH EXPLAINS WAR NEEDS—TELLS ASSEMBLED GENERALS OF MATERIALS UNITED STATES SHOULD DEVELOP.

Bernard M. Baruch, formerly chairman of the War Industries Board, held a long conference Thursday with generals and other high Army officers attending the meeting of heads of Army departments. Mr. Baruch met the officers at the War College, among them Gen. Leonard Wood, Gen. Liggett, and Gen. Edwards, and addressed them on the subject of industrial mobilization in war.

As chairman of the War Industries Board Mr. Baruch had a great deal to do with building up the vast forces behind the American Army in the field. The World War brought it home to the United States as never before that modern war is far more than a clash in the field. War effort of to-day is such a stupendous affair, Mr. Baruch said, that the entire industrial resources of a nation must be thrown into the conflict.

Mr. Baruch spoke of the difficulty the United States experienced at first in getting war supplies, and particularly minerals. He dwelt particularly upon the necessity of developing in this country the production of magnesite, tungsten, manganese, and nitrates. Formerly the United States was dependent upon Austria entirely for magnesite, the material used to line steel furnaces, and without which steel could not be produced. Americans were dependent almost wholly upon Chile for nitrates and on other countries for other things. Mr. Baruch urged that the industries built up in this country to meet war needs should not be allowed to fail, and that as a further safeguard the United States should lay by stores of war minerals in such quantity as might be needed in the conduct of a future conflict. Rubber was another essential war material which Mr. Baruch thought should be stored.

Interest was lent to the address by the fact that yesterday the War Department announced there are at present 28 wars in progress in different parts of the world.

Following are the sworn statements of the six largest magnesite producers in the United States. These sworn statements were presented to the Ways and Means Committee at their hearing on this bill:

Roy N. Bishop, vice president and general manager of the Northwest Magnesite Co., Chewelah, Wash. (San Francisco office, Crocker Building, San Francisco), being first duly sworn for himself, deposes and says that the items entered in the following report showing the cost of production of calcined magnesite by the Northwest Magnesite Co. are to the best of his knowledge and belief, and from such information as he has been able to obtain, true and correct in each and every particular.

ROY N. BISHOP.

Sworn to and subscribed before me this 30th May, 1919.

[SEAL.]

MARY F. REDDING,  
Notary Public.

My commission expires July 14, 1921.

**NORTHWEST MAGNESITE CO.—COST OF PRODUCING CALCINED (DEAD BURNED CENTERED) MAGNESITE JUNE 1, 1918, TO MAY 1, 1919.**

*Operating expenses.*

	Amount.	Per ton dead burn.
Mine expense.....	\$261,245.24	\$6.16
Treatment plant expense.....	400,465.60	9.41
Framway expense.....	39,682.08	.93
<b>Total direct operating expense.....</b>	<b>701,392.92</b>	<b>16.50</b>
Administration and general.....	28,232.06	.61
Taxes, insurance, and interest.....	56,457.54	1.32
<b>Total before depletion and depreciation.....</b>	<b>784,082.52</b>	<b>18.43</b>
Depreciation.....	64,331.13	1.51
Depletion.....	48,917.55	1.15
<b>Total cost.....</b>	<b>897,330.20</b>	<b>21.09</b>

*Depreciation.*—The value of the surface plant of the Northwest Magnesite Co. is subject to a depreciation cost as follows:

Mine plant	\$118, 141. 28
Treatment plant	563, 868. 02
Tramway	89, 965. 28
<b>Total</b>	<b>771, 974. 58</b>

Assuming that this industry will obtain a tariff and can continue its operation, depreciation has only been figured on the plant value at 10 per cent and as the period covered is 11 months, the depreciation therefore amounts to \$64,331.13.

The Government, realizing that plants such as this, erected since the war and on account of the war, were entitled to a depreciation, made special regulations covering amortization. See article 181, Regulation 45, relating to income tax, Treasury Department, which states:

"The taxpayer may make a reasonable deduction from gross income not in excess of a sum sufficient to extinguish the cost of buildings, machinery, equipment, or other facilities constructed, erected, installed, or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war \* \* \*."

As this company was incorporated in May, 1917, it is at once apparent that the Government desired to offer some relief to companies of this character.

*Depletion.*—In arriving at the amount of depletion, it has been assumed that there were 1,000,000 tons of ore which cost \$500,000. This ore has therefore been depleted on the basis of 50 cents per ton.

PORTERVILLE MAGNESITE CO.

Total tonnage (crude) produced from 1915 to Apr. 30, 1919, approximately	160, 000
Average cost per crude tone, delivered at plant or aboard cars Porterville, \$8.50 per net ton, therefore making cost of calcined (2 tons crude to 1 ton calcined)	\$17. 00
Cost of crushing and calcining, per ton	6. 38
Cost of handling finished product from plant to aboard cars	2. 25
Total mining and manufacturing cost	25. 63
Plus 50 cents per crude ton for depletion	1. 00
Plus 40 cents per crude ton for depreciation	. 80
Plus overhead and selling expense per calcined ton	1. 00

Total average cost per net ton f. o. b. cars Porterville, Calif. 28. 43

The cost per ton calcined magnesite at the present time is \$22.50 per net ton f. o. b. cars Porterville, Calif.

If the proper reduction in freight rate is given; i. e., prewar rates, and a protective tariff is placed on European material, in order to maintain the present market price of this commodity, the Porterville Magnesite Co. can operate sufficiently long to reimburse the stockholders in full for their investment.

Referring to the present and future production, Mr. Parker advises that our property never was in better condition with regards production, and that we can under normal conditions produce 2,250 tons of calcined material per month.

During 1918 a great deal of development work was done at the mine, which makes it possible for us to operate to better advantage this year.

PORTERVILLE MAGNESITE Co.,

M. H. ADAMS, Assistant Secretary-Treasurer.

M. H. Adams, assistant secretary and treasurer of the Porterville Magnesite Co., Porterville, Calif. (San Francisco office, American National Bank Building), being first duly sworn, deposes and says that the items entered in the

following report are, to the best of her knowledge and belief, and from such information as she has been able to obtain, true and correct in each and every particular.

M. H. ADAMS.

Sworn to and subscribed before me this June 5, 1919.

[SEAL.]

W. W. HEALEY,

*Notary Public, in and for the City and County  
of San Francisco, State of California.*

My commission expires August 28, 1921.

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TULARE MINING CO.

Charles Whitney, secretary of the Tulare Mining Co., being first duly sworn, deposes and says that the items entered in the following report are, to the best of his knowledge and belief, and from such information as he is able to obtain, true and correct.

CHAS. WHITNEY.

Sworn to and subscribed before me this June 5, 1919.

[SEAL.]

W. W. HEALEY,

*Notary Public, in and for the City and County  
of San Francisco, State of California.*

My commission expires August 28, 1921.

The following is a true and correct statement of the cost of producing calcined magnesite at the property of the Tulare Mining Co., located in Tulare County, Calif. It requires 2.25 tons of crude ore to make 1 ton of calcined material.

Operation.....	\$17.95
Mining: Depletion of ore body.....	1.06
	<hr/>
	19.01
Calcining (including loading cars).....	4.99
General and overhead expense.....	.97
	<hr/>
Total f. o. b. cars, shipping point.....	24.97

The total investment in the property is \$97,501.

Labor cost is 53½ per cent of the total cost.

Fuel oil is 3.8 per cent of the total cost.

The average wage scale is \$3.50 to \$5 per day.

The average calcining capacity, 40 tons per day.

Present rate of production is 1,140 tons per month.

Sufficient ore is developed or probable to run the mine for many years.

CHAS. M. WHITNEY, *Secretary.*

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WESTERN MAGNESITE DEVELOPMENT CO.

C. S. Malby, being first duly sworn, deposes and says that the following is a true and correct copy of the sworn statement filed by L. E. Boyle, receiver of the property of the Western Magnesite Development Co. during the season of 1918.

C. S. MALBY.

Sworn to and subscribed before me this June 5, 1919.

[SEAL.]

W. W. HEALEY,

*Notary Public in and for the City and County of  
San Francisco, State of California.*

My commission expires August 28, 1921.

HUMBOLDT BANK BUILDING,  
San Francisco, Calif., May 28, 1919.

The attached is an actual production cost of calcined magnesite from the Western Magnesite Development Co.'s property, back of Livermore, Calif., under the management of L. E. Boyle, receiver of the property, for the season of 1918, and shows a cost of \$24.16 per net ton of calcined ore f. o. b. cars Livermore.

This cost, as is noted in the cost sheet, is based on the mining, which was of the simplest character, only the columns, pillars, and roof slabs being taken out for ore, with the exception, as noted, of 800 tons of outcrop. The operation of this year will be even more expensive, as development work will have to be done and a great deal new faces opened up on account of the mine being robbed of its pillars. Further, in these cost sheets overhead expenses in San Francisco have not been figured.

This mine is one of the oldest mines in California, as well as the largest, and contains the highest grade of ore of any large deposit in the State. It is remarkably white in color and is ideal for plastic trade. It is a difficult thing to estimate the tonnage of magnesite in the property, but several estimates made by competent mining engineers have placed the tonnage well above 200,000 tons.

As the railroad is 32 miles from the mine, it will be necessary, in order to operate this property, to have a tariff protection against the foreign material which was used before the war.

Respectfully submitted.

WESTERN MAGNESITE DEVELOPMENT CO.,  
By C. S. MALTBY.

*Production cost of Western Magnesite Development Co. for season of 1918, under management of L. E. Boyle, receiver.<sup>1</sup>*

<b>Total cost:</b>			
Calcination.....	-----	\$20,514.43	
Development—mining.....	-----	1,906.18	
Mining.....	-----	22,824.59	
Freighting.....	-----	20,980.62	
Plant and equipment.....	-----	13,749.59	
Company expense.....	-----	561.95	
Maintenance and upkeep.....	-----	221.33	
			\$80,759.29
<b>Unit cost:</b>			
Total crude ore shipped.....	tons ..	427.47	
Total crude ore mined.....	do.....	277.47	
Total magnesite calcined.....	do.....	2,382.5	
Calcination cost, 2,382.5 tons.....	-----		20,514.43
Per ton.....	-----	\$8.61	
Average cost of sacks and twine.....	-----	3.55	
Average cost of labor and fuel.....	-----	5.06	
Mining cost, <sup>2</sup> at \$4.10 per ton.....	-----		22,824.59
2,370.5 tons calcined, 2.20.....	raw tons..	5,215.1	
Crude ore mined, tons.....	do.....	277.5	
Total tons mined.....	do.....	5,492.6	
Freighting.....	-----		20,980.62
Tons hauled—			
Calcined.....	tons..	2,358.50	
Crude.....	do.....	427.50	
Total.....	do.....	2,786.00	
2,786 tons.....	per ton..	7.53	
Actual haul as per contract.....	do.....	6.00	
Storage, weighing, loading, etc.....	do.....	1.53	

<sup>1</sup>No allowance for San Francisco office expense has been included in the above computation of mine-operating costs.

<sup>2</sup>With the exception of 800 tons mined from an outcrop, all ore removed was from old columns, pillars, and roof slabs left by previous organization. All actual used development is included in cost.

Conclusion: Computing the above unit costs on a basis of total cost per calcined ton f. o. b. cars Livermore, shows the following:

Calcined .....	\$8.61
Mining, 4.10×2.2 .....	9.02
Freighting .....	7.58
Net cost per calcined ton.....	24.16

## WHITE ROCK MINE.

Frank R. Sweasey, largest owner of the White Rock Mine, located in Pope Valley, Napa County, Calif., being first duly sworn, deposes and says that the items entered in the following report are, to the best of his knowledge and belief, and from such information as he is able to obtain, true and correct.

FRANK R. SWEASEY.

Sworn to and subscribed before me this June 6, 1919.

[SEAL.]

W. W. HEALEY,  
Notary Public in and for the City and County  
of San Francisco, State of California.

My commission expires August 28, 1921.

Tonnage mined was arrived at as follows:

Shipped during year 1918, calcined.....	tons.....	11,450
On hand, surplus, for year 1918.....	do.....	500
Total .....	do.....	11,950
It is estimated that 2.2 tons of lump crude equal 1 calcined ton.....		2.2
Crude tons .....		26,290
30 per cent each crude ton mined is waste.....		7,887
Total tonnage mined, crude tons.....		34,177
Cost per crude ton:		
Labor .....		\$2.585
Powder .....		.387
Royalty .....		1.037
Expenses .....		.492
Administration .....		.829
Cost of 1 ton crude ore delivered at calcining plant.....		4.83
2.86 tons of crude ore as mined=1 ton calcined.....		13.818
Cost of calcination.....		7.20
Hauling .....		4.00
Loading aboard cars .....		.68
Cost per calcined ton.....		25.783
Depreciation .....	\$1.654	
Depletion .....	.785	
		2.439
Total cost per calcined ton.....		28.222

Cost per calcined ton, f. o. b. cars: Labor cost, 53.5 per cent of the cost of producing 1 ton crude; labor cost, 34.6 per cent, calcination.

## STATEMENT OF AMERICAN MINERAL PRODUCTION CO., VALLEY, WASH.

I, Howard F. Wierum, general manager of the American Mineral Production Co., do solemnly declare that all the accounts and statements hereto attached

are and constitute a full, true, and correct statement of the costs of mining and manufacturing magnesite by said company during the year 1918.

HOWARD F. WIERUM,  
General Manager American Mineral Production Co.

Subscribed and sworn to before me this 13th day of June, 1919.

[SEAL.]

AUGUSTUS GUMPERT,  
Notary Public.

*Statement of lower costs than any yet attained by the American Mineral Production Co. of Valley, Wash., upon which our prayer for a duty of 1½ cents per pound is based.*

[Based upon 10,000 tons per month of crude; equal to 4,300 tons per month of dead-burned.]

Mining and sorting, direct cost.....	\$2.85
Delivery to plant.....	.95
Crushing and sampling.....	.40
Taxes and general expenses.....	.30
Interest and fixed charges.....	.35
Depreciation on machinery, buildings, and fixtures.....	.15
Depletion of 1,600,000 tons reserves.....	.65
<hr/>	
Total per ton of crude.....	5.65
Cost of 1 ton of crude.....	<u>5.65</u>
<hr/>	
Cost of 2.3 tons of crude to make 1 ton calcines.....	12.99
Calcining cost.....	<u>10.55</u>
<hr/>	
Net cost per ton of dead-burned.....	23.54

In basing our request for a duty on this cost of \$23.54, which is so much lower than our actual 1918 performance (see below), I wish to state that our excessive costs during 1918 were brought about by five main causes:

First. Difficulty in obtaining money.

Second. Extraordinary expenditures to meet the urgent requests and demands of steel works and magnesia brick plants.

Third. Abnormal costs of all supplies both for operating and constructing.

Fourth. Our inability to obtain a lower freight rate than \$1.50 for a 64-mile haul, or 2.94 cents per ton-mile.

Fifth. Very large expenditures for developing ore reserves and for improvements.

All of these causes, we feel sure, can be corrected. We also are now prepared to apply more up-to-date mining and metallurgical methods than those which obtained during the incipient stages of our hurried development.

Senator WATSON. Mr. Costigan, we will hear you now.

#### STATEMENT OF HON. E. P. COSTIGAN, COMMISSIONER UNITED STATES TARIFF COMMISSION.

Commissioner COSTIGAN. Mr. Chairman, the Tariff Commission, as this committee knows, is primarily a fact investigating and fact reporting body. It engages in no controversies with its ordinary critics. In view of the circumstance, however, that reflections, which the commission repudiates, have been made against its good faith, the commission requests an opportunity to send a communication to this committee commenting on that portion of Mr. Burke's remarks, and now asks that such a communication may be made a part of the record.

Senator WATSON. That will be done; there is no question about that.

Senator THOMAS. I suppose that will be done in the very near future.

Commissioner COSTIGAN. It will be done immediately.

(The statement referred to was subsequently furnished by the Tariff Commission and is here printed in full as follows:)

UNITED STATES TARIFF COMMISSION,  
Washington, January 15, 1920.

The COMMITTEE ON FINANCE,  
*United States Senate:*

On January 13, in the course of the hearing on magnesite before your subcommittee, Mr. James F. Burke, an attorney for the American Refractories Co., asserted, in substance that the Tariff Commission has exhibited partiality to American producers of magnesite in the United States as against American producers of magnesite in Austria; also an absence of good faith in the preparation and presentation of the commission's report on magnesite, transmitted to the Ways and Means Committee of the House of Representatives under date June 11, 1919.

The Tariff Commission hereby affirms that the impartiality of the report thus criticized will be evident to any member of your committee or any other person who may read it carefully and without bias. The commission would further say that the charges enumerated, from whatever motive they proceed, were recklessly made and are wholly erroneous.

The immediate and particular claims of grievance appear to be that the date of the commission's report to the Ways and Means Committee demonstrates the impossibility of the preparation of that report within the brief time between the request for it and its transmittal; also that the report was accompanied by information submitted to the Tariff Commission by certain magnesite producers in the State of Washington.

Doubtless, though differently worded, these assertions are a revival of reflections on the commission made by the same complainant before the Ways and Means Committee. These references are mentioned in a letter of October 1, 1919, written on behalf of the commission to the chairman of the Ways and Means Committee, and, together with an inclosure of that letter discussing and answering such references, incorporated in the Congressional Record of October 8, 1919 (pp. 6080-6081).

For the information of your committee the following further explanatory facts in regard to the Tariff Commission's report to the Ways and Means Committee should perhaps be noted:

In the commission's second annual report to Congress of date November 26, 1918, the commission made reference (p. 19) to the war-minerals situation in these words:

"Many metals with established methods and lines of production and trade have been seriously disturbed by the war. This has been notably true of tungsten, quicksilver, magnesite, chromite, and manganese, the domestic production of which has been greatly expanded. The difficulty of readjustment to peace conditions led the commission to hold conferences at Denver and San Francisco with those interested in tungsten and quicksilver, and the opportunity was taken to confer also with the interests concerned in the importation and use of antimony. The information thus secured was supplemented from all other available sources for incorporation in the Tariff Information Catalogue. The commission intends at an early date to publish a handbook on these and other minor metals."

Shortly thereafter the Tariff Commission, pursuant to its established and uniform practice with respect to other tariff surveys, directed its division in charge of schedule C of the present tariff law to give special consideration to the war-minerals field. The result was that magnesite was among the subjects early investigated and catalogued. In this connection, the commission's records disclose that the magnesite report, together with similar reports on graphite, antimony, and manganese, was completed in preliminary form in February, 1919, and was typed and lodged in the Tariff Commission's regular files in March, 1919, where it remained until called for by the Ways and Means Committee in June, 1919. The material for the report, as shown by its contents, was impartially compiled from whatever sources the commission found most readily accessible, including, necessarily, producers in the United States of the

material under investigation and Government experts, records, and publications. The information thus obtained was thereafter carefully and independently scrutinized, and it is submitted that the report itself fairly and without prejudice presented the general merits and competitive features both of Austrian and American supplies.

Many weeks after the commission's report had been thus compiled and examined, and just before the Ways and Means Committee requested the use of the commission's material, the commission, entirely without solicitation, received from the Western Magnesite Association certain sworn statements concerning the costs of production of magnesite of the six largest American producers. These sworn statements were examined by the commission, and although time did not permit their detailed analysis and checking up by cost accountants, the affidavits were deemed by the commission of sufficient usefulness in the form in which they were received to be forwarded for what they were worth for consideration in the deliberations of the Ways and Means Committee. This was accordingly done, and the commission is satisfied that, under the circumstances, the proper discharge of its obligations required that the sworn statements should not have been withheld from the Ways and Means Committee.

The commission's procedure will be better understood by those not familiar with it, if it is borne in mind that its duties comprehend, wherever conveniently practicable, not only the preparation from any dependable sources of primary data, but also the continuous accumulation of supplemental information for the use of the Finance and Ways and Means Committee. The report on magnesite prepared for and printed by your committee well illustrates these changing necessities and the commission's established practice. In that report, among the features not mentioned in the report to the Ways and Means Committee, will be found additional data concerning American and Austrian grades of magnesite, foreign costs of production, statistics for 1918 and 1919, and a fuller treatment of mining and calcining methods.

Very respectfully,

THOMAS WALKER PAGE,  
*Acting Chairman.*

(Thereupon, at 6 o'clock p. m., the subcommittee adjourned.)