

We grant a 27.5-percent depletion allowance to the oil industry, and a 10-percent depletion allowance to the coal industry. Am I correct in my understanding that this principle of depletion allowance and special tax benefit as claimed by some is extended in this bill to three new classes?

Mr. LONG of Louisiana. No.

Mr. LAUSCHE. To how many new classes is it extended?

Mr. LONG of Louisiana. They are already eligible. They are permitted a somewhat greater depletion allowance than they had.

Mr. LAUSCHE. Is this increasing the percentage of depletion allowance?

Mr. LONG of Louisiana. In two instances, yes.

Mr. LAUSCHE. That would mean if I, as a Senator from Ohio, representing a coal State, submitted to the committee an amendment to increase the depletion allowance of 10 percent on coal to 15 or 20 percent, I would be falling within the principle of these three sections?

Mr. LONG of Louisiana. Not necessarily.

Mr. LAUSCHE. Why choose clay, clam, and oyster shells in increasing the depletion allowance and not coal?

Mr. LONG of Louisiana. Let me explain—bauxite already gets a 23-percent depletion allowance. If this Georgia clay is to compete with bauxite in the production of aluminum it would be only fair that Georgia clay get a 23-percent depletion allowance. It is a much lower grade of ore and it takes twice as much of it to produce a ton of aluminum than from bauxite. It is an inferior product for the purpose, but if it is going to compete in the production of aluminum, it should get as much depletion allowance as a superior ore.

Mr. LAUSCHE. Did the Senator give any thought to the argument of the Senator from Illinois [Mr. DOUGLAS] that the depletion allowance should be eliminated and not expanded?

Mr. LONG of Louisiana. I heard the argument, but one thing that impresses me when that argument is made is that before somebody comes in and contends for eliminating the depletion allowance, he should learn what depletion is. If he does not know what it is, he is not qualified to discuss it.

I have never been able to understand when people say there should be no depletion allowances on these items that are subject to being exhausted. I cannot understand why people want to argue there should be no depletion allowances.

Sometimes I am reminded of what happened to one of my friends who was working his way through college by flying an airplane. I financed that airplane. He was a good friend of mine. This young fellow could not afford to hire a lawyer or an accountant. He operated

on a cash-in, cash-out basis. He would get a couple of dollars to take somebody up in his airplane. We would buy 5 gallons of gasoline and go back and forth. He went out every day and he made a profit. In a year he was broke. He could not figure out how it was that he was broke when he made a profit every day.

He had failed to set up a reserve for depreciation. He had failed to set up any account for his lease which had a year to run and had to be renewed. He was setting aside nothing to renew the lease. There was no reserve for depreciation, or for a number of items that would not meet the eye. After a year he was broke.

If you are in Arkansas and you are in the business of mining bauxite it will not be long before all of that bauxite is gone and you are out of business. That machinery for mining bauxite may be very good machinery but it is specialized machinery. It is useless unless you find somebody to take it off your hands.

If you are in the oil business you can figure that the oil is worth something to you, but when it is all gone the pipe, the rig, the bits, and things of that nature, the tanks that you have to contain the oil, are all worthless because you are out of the oil business.

If Senators would understand there is such a thing as depletion, then we could proceed on the basis of what would be a fair depletion allowance of products.

These three amendments simply seek to do equity between two competing prod-

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ucts and give them the same consideration.

Mr. LAUSCHE. What is the present depletion allowance on clay-bearing aluminum?

Mr. LONG of Louisiana. Presently, it would get 15 percent.

Mr. LAUSCHE. This bill would raise it to 23 percent, putting it on the same basis as bauxite?

Mr. LONG of Louisiana. The Senator is correct.

Mr. LAUSCHE. What is the present rate of the depletion allowance on clam and oyster shells?

Mr. LONG of Louisiana. Presently, it is 5 percent. I wish to explain why we raised that figure.

Mr. LAUSCHE. Did the Senator say 5 percent?

Mr. LONG of Louisiana. Let me explain this. Clams are competitive with limestone; both are calcium carbonate. If you take limestone and break it up and throw it on the ground to use as gravel, it would get a 5 percent depletion allowance, but if you crush it into powder and make it into cement, it would get 15 percent.

Here we say that if you take clam shells and put them on the ground to use