

Thank you for your attention. If there are any questions I will answer them if I can.

Mr. BURKE. Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Phelps, you indicated the percentage of scrap going into Japanese steel is less today than it was 5 years ago.

Mr. PHELPS. Yes, sir.

Mr. SCHNEEBELI. That means then that scrap is not a good ingredient for them to make their product at a good price.

Mr. PHELPS. It is more expensive, sir.

Mr. SCHNEEBELI. Then how do you compete with big steel in this country if all you use is high cost scrap?

Mr. PHELPS. All of the steel mills on the Pacific coast with the exception of Kaiser are cold metal mills, scrap mills. There is no coking coal on the Pacific coast. There are now ideas which are being developed right here in this country on cinderizing and pelletizing it and eliminate the necessity of the blast furnace.

Mr. SCHNEEBELI. You are increasingly becoming at a disadvantage to big steel through your limitation to scrap use.

Mr. PHELPS. Not in our area.

Mr. SCHNEEBELI. Even with the new oxygen plants? Is this because of transportation?

Mr. PHELPS. Cost, yes. Geography is one of your biggest barriers, or should be rather, in your cost of producing steel. I have learned that the freight rates, the shipping rates, from Japan to the United States are considerably different than from the United States to Japan, so this is another tool of course one can use in the control of his selling price of steel and his cost.

Mr. SCHNEEBELI. What percentage of the Japanese steel production is achieved through the use of scrap?

Mr. PHELPS. Gee, I couldn't tell you now, sir. I don't know. I know now that this new development in Australia is a big factor with them in their ore. Ore is a cheaper basic material to use than scrap. After all, when you process scrap you have to prepare it. You just can't take an auto body and dump it in the furnace.

What they used to do was squeeze them all up into a bale and in this were a lot of contaminants, wood and dirt, and grass and oil, and what have you, and you dumped that into the furnace and smoke would come out of the roof. We have all put in smog control devices but even so there is a limit to what they can handle.

The new method of handling scrap bodies is what they call a shredder or a hammer. This is a very large machine that you feed the old car into and it shreds it into small pieces about the size of your hand.

Now, the ferrous metals go this way through a magnetic control and the nonferrous metals and the dirt and what have you go that way. By the way, the interesting factor in this is that there is about 20 to 25 percent less scrap steel that they now sell than they used to.

This is a new system going in all over the country, again a wonderful method of cleaning up these eyesores in the country side. These people can't sell me any scrap if I am not making any money and I am laying off a crew in the mill in July.

We have inventories running out of our ears. So here is a strike approaching the scene and we are loaded with inventory.