as shown above, domestic industry muct charge to compete with lower-priced imports.

DOMESTIC PRODUCTION AND EMPLOYMENT

As indicated above, domestic shipments are either static, or are not keeping pace with the demands of the expanding U.S. market. As an example, the U.S. available market for manganese ferroalloys has grown by about 30%—i.e. increasing by some 264 million pounds in non-captive consumption between 1960 and 1967. During the same period, imports increased by about 277 million pounds. (See Exhibit A–1). Thus, despite a substantially expanding market, it appears that domestic ferromanganese producers actually shipped less in 1967 than in 1960.

Concurrently, since 1960, employment in the various segments of the domestic industry has had little or no growth—in sharp contrast to conditions in related industries such as steel, automobiles and agricultural equipment. With imports taking larger shares of the U.S. available market for various ferroalloy products, the result is a net "loss" of U.S. workers. In effect, jobs that normally would have been provided by domestic industry have been and are being exported.

DISCOURAGING GROWTH CLIMATE AND PROSPECTS FOR FUTURE

For the past several years, as shown above, important segments of the domestic ferroalloys industry have not kept pace with the tremendous expansion of the U.S. market. Imports have been increasing and profits declining, despite substantial efforts and expenditures by the industry to modernize facilities and otherwise improve its competitive position.

As a result, the U.S. producers face the future with increasing uncertainty. In particular, they lack adequate funds to support research, new technology, and similar development programs needed to keep this industry dynamic and competitive.

For example, a pro forma operating and revenue statement for a new, modern, standard ferromanganese furnace, starting from scratch, would show an investment totaling about $18,000,000 on which the expected return after taxes would be only about 1.2%. (See Exhibit D.) Few if any producers are able to justify such an investment under today's conditions.

The U.S. ferroalloy producers are thus in a serious dilemma. On the one hand, if they do not add new capacity or continue their modernization programs, the snow-balling effect of their declining participation in the U.S. ferroalloy market will be accentuated in favor of imports. On the other hand, they are finding it ever more difficult to justify the further capital investments needed to remain viable and competitive. In most cases, the producers will have no practical economic choice under present conditions but to operate present furnaces until they are obsolete—at which point the country will be largely dependent upon foreign sources for its ferroalloy needs.

NEED FOR HEALTHY DOMESTIC INDUSTRY IN EMERGENCY

In wartime emergencies, if access to oversea supplies is cut off, the increased needs for ferroalloys for steel and other vital defense items can be met only from government stockpiles, and from what domestic industry might then still be in existence.

However, the present trend of increasing imports, if not checked, will make it more and more difficult for some of the domestic industry's major segments to maintain a viable operation. And we are concerned that, without a viable domestic industry of some minimum proportions in any such emergency, the stockpiles and nondomestic sources of these products would be insufficient for national security purposes.

STOCKPILE NO SUBSTITUTE FOR HEALTHY DOMESTIC INDUSTRY

In the 1964 OEP decision, the adverse economic trends facing the domestic industry were virtually ignored from a national security standpoint on account of the relatively large government stockpiles of ferroalloys and ores. It was felt that these stockpiles would protect the national security against loss of overseas supplies in any emergency for long enough to permit "expansion" of the domestic ferroalloy industry.

But any such reliance on the stockpile would have to assume the continuing existence of a viable domestic industry that can so "expand" its capacity within