

Mr. FULTON. Thank you, Mr. Cunningham. Your statement refers to the OEP finding that the ferroalloys industry is essential to our national security. Is this still true?

Mr. CUNNINGHAM. It is still true. They answered it and recognized us as being a part of the mobilization base in 1964, but thought we were not harmed enough for them to take action, and it was denied after a year of waiting. Now we have filed again. We are a lot worse off than we were then.

Mr. FULTON. Could you spell out what your industry has done in the past wars for the benefit of the record?

Mr. CUNNINGHAM. In the Second World War the first priority was the building of ferroalloy plants because ferroalloys come before steel. It is a base part of steel and I know in the case of our company two plants were built, one by the Defense Plant Administration, and one by our own company. The ferroalloys industry was expanded about 50 percent at that time in order to carry on the Second World War.

The Korean war came along and I think about 25-percent expansion took place in the ferroalloy industry, mostly by industry itself, in some cases by Defense Plant or by writeoffs of tax credits.

During the Vietnam war we haven't had that problem because again so much of the business has been taken by imported ferroalloys.

Mr. FULTON. Could you possibly predict what your role will be in possible future emergencies?

Mr. CUNNINGHAM. Well, as long as steel is required and as long as aluminum castings are required and as long as stainless steel and the specialties are required, ferroalloys have to be available or these products could not be made.

Mr. FULTON. Your statement refers, Mr. Cunningham, to the increased imports of various ferroalloys during the past few years. Do you foresee a continuing increase in these imports, and if so, why?

Mr. CUNNINGHAM. Yes. Well, the main reason is that their labor rates are about one-sixth of ours and they can continue to ship in here with little or no tariff. The tariffs will be virtually removed through the Kennedy round. Even before now, there was very little tariff protection.

What there was is being removed, already 20 percent, and in the next 4 years it will be almost completely eliminated, and they have a wonderful market here and they are taking advantage of it.

Mr. FULTON. Do you possibly foresee a continuing increase in these imports?

Mr. CUNNINGHAM. I think so. The profitability of the domestic industry is falling off rapidly, particularly the manganese alloys, which is a sizable part of our industry; we have taken a survey of our group and the net for 1967 was a loss, so this is pretty good evidence of where we stand.

We can't build furnaces on a loss.

Mr. FULTON. I just wonder what steps your industry has taken to reduce costs in order to compete with imports.

Mr. CUNNINGHAM. Our company built the largest ferroalloy furnace in the world and turned it on here about a year ago. The industry has recently built big furnaces, the most modern that are known. We still have to pay \$4.60 an hour for labor as opposed to the same furnace maybe in Norway or in Japan at 60 or 80 cents an hour.