

I am very much chagrined that both the business community and members of Congress fail to make a distinction between our foreign payment deficit and our foreign trade position. The foreign payment deficit is, of course, due to our heavy military commitments all over the world and the most recent figures I have seen show that at least one billion dollars of foreign currency is being "lost" because of our involvement in South Vietnam. It, therefore, follows that nothing would be achieved in bringing about a balance of foreign payments by imposing import quotas but more likely there would be a deterioration in the current position.

I should be glad if this letter will become part of the official record of your hearings.

Respectfully yours,

PETER H. GARFUNKEL,
Executive Vice President.

PRECISION DRAWN STEEL CO.,
Pennsauken, N.J., June 4, 1968.

Hon. WILBUR D. MILLS,
*House Office Building,
Washington, D.C.*

DEAR CONGRESSMAN MILLS: I would like to express to you my opinions regarding imported steel. Inasmuch as I am President of one of the largest independent converters of steel bars, I feel that our experience should be of interest to you. We purchase Hot Rolled Steel Bars and convert them into Cold Finished Steel Bars, as explained in the attached booklet. As recently as five years ago, we had no interest in importing steel; however, in the period 1957 through 1967, large domestic mills; such as, Republic Steel, Jones & Laughlin and United States Steel, who produce the Hot Rolled Steel Bars used for Cold Finished Bars, saw fit to keep the price spread which we operate at the same level in 1967 as it was in 1957. During this ten-year period, we were faced with annual rising cost of labor and supplies, so that it took 2½ sales dollars last year to make the same profit that one sales dollar made six years ago. What the big steel companies did was raise the Hot Rolled Bar price several times, as an example, \$5.00 a ton, and also raised the Cold Finished price by the same \$5.00 a ton, so, in effect, converters like ourselves paid \$5.00 more for the product and sold it for the same \$5.00 more, getting no additional spread to cover our rising costs. In effect, they saw fit to squeeze independents and satisfied themselves with a substantial profit on the Hot Rolled Bars.

A further example of the tactics used by big steel can be pointed out when last year we constructed a new plant in Biloxi, Mississippi, we attempted to get some freight rate help through the Southern Freight Association to give us competitive aid in the south, the above mentioned big steel companies protested the aid we asked for, put pressure upon the Southern Freight Association, and we were unable to get the freight relief we were seeking—this despite the fact that Congressman Colmer of Mississippi and Congressman Joe Evins of Tennessee intervened in our behalf with the Southern Freight Association.

Still another example—just now when the steel industry is booming and making more steel than ever, despite the so called imports, companies such as United States Steel have put allocations on certain products, restricting the tonnage we can buy from them.

A recent article in the New York Times about one of our competitors will explain what United States Steel is capable of doing at times like this.

When independents are left at the mercy of the big steel companies whose dual distribution efforts put us in a competitive disadvantage, we naturally are forced to seek relief wherever we can get it, and as a result we began to import steel. Definitely, in the past couple of years we have been importing more each year, since we still have not been given price relief from big steel.

In conclusion, I personally, feel that big steel, through its pricing and marketing practices, have caused foreign steel to come to this country and the problem could be rectified by big steel themselves, if they would see fit to provide independents like ourselves a reasonable price spread to work upon. I hope you will consider my comments here when your committee considers restrictions on imported steel.

Very truly yours,

L. G. BROWN, *President.*