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[TEA-W-3]

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TARIFF COMMISSION REPORTS TO THE PRESIDENT ON IRON-ORE MINE
WORKERS' PETITION FOR ADJUSTMENT ASSISTANCE

The Tariff Commission today reported to the President the results of its investigation No. TEA-W-3, conducted under section 301(c)(2) of the Trade Expansion Act of 1962. The whole of the Commission's report to the President cannot be made public, since it contains certain information received in confidence. However, the following excerpts from that report indicate the Commission's finding and the principal considerations in support of the finding:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of its investigation, made under section 301(c)(2) of that act, in response to a workers' petition for determination of eligibility to apply for adjustment assistance. The petition was filed with the Commission on May 1, 1963, by the United Steelworkers of America, AFL-CIO, on behalf of a group of workers from the Ishkooda and Wenonah iron ore mines at Red Mountain, near Fairfield, Alabama, operated by the Tennessee Coal and Iron Division (TCI) of the U.S. Steel Corp.

The Commission instituted the investigation on May 3, 1963. Public notice of the receipt of the petition and of the institution of the investigation was given by publication of the notice in the Federal Register (28 F.R. 4690). Neither the petitioners nor any other party requested a public hearing, and none was held.

In this investigation the Commission obtained information from its files, from the United Steelworkers of America, from the U.S. Steel Corp., and through field visits by members of the Commission's staff to the vicinity of Birmingham, Ala., and interviews there with officials of the Tennessee Coal and Iron Division, other producers or consumers of iron ore, union officials, and officials of the State of Alabama Department of Industrial Relations.

Finding of the Commission

On the basis of its investigation the Commission unanimously finds that iron ore is not, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to cause the unemployment of a significant number or proportion of the workers from the iron-ore mines of the Tennessee Coal and Iron Division of the U.S. Steel Corp. at Red Mountain, near Fairfield, Ala.

Considerations in Support of the Commission's Finding

The Tennessee Coal and Iron Division (TCI) discontinued all production of iron ore from its Ishkooda mine in May 1962, and at its Wenonah mine in June 1962. ^{1/} Production ceased several months before the date of enactment (October 11, 1962) of the Trade Expansion Act (TEA) and about 6 months before TCI announced (on December 27, 1962) that it had decided to close the mines permanently. TCI had produced iron ore, known as "red ore," in Alabama for more than 50 years and used it locally in making iron and steel. Its production of red ore declined substantially during the past decade, and in the last several years was confined to the Ishkooda and Wenonah mines.

Although production of iron ore at the Ishkooda and Wenonah mines ceased in May and June 1962, respectively, the workers remained on the payroll for additional periods up to 4 weeks until they had taken the vacations to which they were entitled; after that, principally in July and August 1962, about 650 workers were laid off. In a letter dated Dec. 27, 1962, to all but 44 of the workers, TCI indicated that it had decided to discontinue mining red ore and informed the workers regarding their rights under the basic labor agreement to accept severance allowance, to apply for a pension, or to continue on layoff status. The remaining 44 workers were offered temporary work (at reduced pay) beginning in January 1963. They performed only such tasks as removing machinery and closing mine openings and buildings. After this work was completed, these 44 workers were again laid off, and the TCI sent letters to them, dated April 29, 1963, similar to the one described above.

On the basis of information such as the number of laid-off workers receiving unemployment compensation, the number employed

^{1/} Although the Ishkooda and Wenonah mines ceased producing iron ore in mid-1962, the iron-ore processing plant, located near the Wenonah mine, continued to operate, processing some accumulated red ore and imported iron ore. The processing consists of crushing and screening the ore and sintering the small particles passing a 1/4-inch mesh screen. The workers' petition is on behalf of the workers at the mines only.

elsewhere in the Corporation, and the number retired (in different age groups), the Commission estimates that perhaps half of the 650 workers are currently unemployed.

Before the Commission can make an affirmative finding under section 301(c)(2) of the Trade Expansion Act of 1962, it must determine (1) that the imports in question are entering the United States in increased quantities; (2) that the increased imports are due in major part to trade-agreement concessions; and (3) that such increased imports are the major factor in causing, or threatening to cause, unemployment or underemployment of a significant number of the workers of the firm or subdivision of the firm in question.

In the instant case, the Commission finds that any increase in imports of iron ore that may have occurred could not be attributed in major part--if indeed at all--to trade-agreement concessions. Since this finding is controlling of the Commission's decision, there is no occasion for the Commission to consider any other factors. 1/

U.S. imports of iron ore increased in the postwar period 1946 through 1957 in each year except 1952 * * *; imports increased from an annual average of 5.9 million long tons in 1946-50, to 14.1 million tons in 1951-55, to 30.4 million tons in 1956, and to 33.7 million tons in 1957. In the last 5 years, however, annual imports have averaged 31.4 million tons, fluctuating from a peak of 35.6 million tons in 1959 to a low of 25.8 million tons in 1961. Imports in 1962 amounted to 33.4 million tons. 2/

1/ The Commission calls attention to the fact that the workers to which this investigation relates might be considered to have been "separated" from their jobs prior to Oct. 11, 1962, the date of enactment of the Trade Expansion Act of 1962, and therefore might be held not entitled to assistance under the act (sec. 322(b)(1).

2/ The leveling in the rate of U.S. imports in the past 5 years (since 1957) reflects a lower rate of U.S. consumption of iron ore in that period than in the preceding 8 years. Annual consumption of iron ore during 1958-62 averaged 99.8 million long tons (gross weight), compared with 117.6 million tons during 1950-57 * * *. The reduced U.S. consumption of iron ore in terms of gross weight is attributable partly to the increased iron content of the ore consumed (especially the rapidly increasing consumption of high-quality iron ore pellets produced in the United States from low-grade iron ores in the Lake Superior District and elsewhere) and partly to the reduced rate of U.S. production of iron and steel. The latter development reflects increased competition from substitute materials (such as reinforced concrete, aluminum, plastics, glass, and paper) and increased competition from foreign producers of iron and steel products in both foreign and domestic markets.

Imports of iron ore, including manganiferous iron ore containing not more than 10 percent of manganese, are free of duty under the provisions of paragraph 1700 of the Tariff Act of 1930. Iron ore has been free of duty for the past 50 years, having been placed on the free list in the Tariff Act of 1913. The trade-agreement concessions consist of several bindings of iron ore on the free list. Iron ore was bound on the free list in the General Agreement on Tariffs and Trade at Geneva, effective January 1, 1948, and at Annecy, effective April 30, 1950, and in the supplemental bilateral trade agreement with Venezuela, effective October 11, 1952.

The Commission has conducted two comprehensive investigations of iron ore in recent years; the report on the first of those investigations was published in March 1959, and that on the second, in December 1960. ^{1/} Data available when the reports were prepared indicated an upward trend in postwar imports of iron ore; the leveling off of imports, now observed, did not become apparent until later. The major factors accounting for the postwar increase in imports of iron ore were summarized (on pages 30 and 31 of the December 1960 report) as follows:

U.S. iron and steel producers turned to foreign ore supplies to supplement domestic ore production because of (1) the growing need for economic supplies of high-quality iron ore, (2) the marked depletion of the most economic high-grade ore deposits in the traditional domestic producing centers during World War II, (3) the installation of much new iron- and steel-producing capacity at centers conveniently located at ocean ports to which foreign ores can be economically transported by water, and (4) the development of the St. Lawrence Seaway, which made the iron and steel facilities along the Great Lakes more accessible to iron ores from Canada and, to a lesser extent, from other foreign sources.

The higher quality of the imported ores reduces the cost of transportation per unit of producible iron content and increases the rated capacity of blast furnaces using the high-grade ore, thereby reducing the

^{1/} U.S. Tariff Commission, Iron Ore: Report on Investigation No. 35 Under Section 332, Tariff Act of 1930 (made pursuant to a resolution of the Committee on Finance, United States Senate), March 1959 (processed).

U.S. Tariff Commission, Iron Ore: Report on Escape-Clause Investigation No. 7-92 Under Section 7 of the Trade Agreements Extension Act of 1951, as Amended, December 1960 (processed).

cost of producing pig iron and steel. Tax and other incentives are favorable for the production of iron ore in some foreign countries, notably in Canada. The development of foreign ore-producing, handling, and transporting facilities has also increased the economy of using imported ore at U.S. plants favorably located at or near lake or ocean ports.

Almost all the major foreign developments that accounted for the bulk of the U.S. imports of iron ore in the postwar period were planned and initial exploration and development was begun (with the expenditure of many millions of dollars) before January 1, 1948, when the duty-free status of iron ore for metallurgical use was first bound in a trade agreement * * *. This includes the ore projects which began production prior to 1960--those in Canada at Steep Rock Lake in Western Ontario and in the Labrador-Quebec area, and those in Venezuela. These projects were financed and developed entirely or principally by U.S. companies, whose officials have stated in public hearings before the Tariff Commission that the principal considerations in these undertakings did not include the fact that iron ore was bound on the free list in trade agreements. 1/

The Cerro Bolivar deposit in Venezuela, the principal source of the ore now being used by TCI, was discovered by the U.S. Steel Corp. in April 1947. The discovery was the outcome of the Corporation's search for foreign ore deposits which began in 1944, when it became apparent that the high-grade ore deposits in the Lake Superior District were being rapidly depleted. Although actual shipments of iron ore from the Cerro Bolivar deposit in Venezuela did not begin until 1954, the Corporation committed considerably more than \$100 million for its development and construction was well under way before the effective date of the trade agreement with Venezuela.

The latest large development of iron ore deposits in a foreign country--the Cartier, Quebec, project of the U.S. Steel Corp., which began production in mid-1961--was undertaken since

1/ Statements by officials of companies other than the U.S. Steel Corp. are contained in the transcript of hearings before the Tariff Commission on Oct. 18, 1960, in connection with the escape-clause investigation (No. 7-92) of iron ore under section 7 of the Trade Agreements Extension Act of 1951, as amended: Statements by Mr. W. H. Johnstone, Vice President and Director of Bethlehem Steel Co., pp. 77 and 107; statement by Mr. Carl B. Jacobs, Vice President, Inland Steel Co., p. 158; and statement by Mr. Richard W. Whitney, Executive Vice President, The Hanna Mining Co., p. 177.

the most recent binding of iron ore on the free list. The U.S. Steel Corp. stated ^{1/} that the principal considerations in the Corporation's decision to develop these deposits were (1) the urgent demand for iron ore on the East Coast of the United States and in Europe and Canada, (2) the favorable location of the deposits to serve these needs including inland customers in the United States that could be reached via the St. Lawrence Seaway, (3) the relative ease with which the Quebec ores can be concentrated, and (4) the Canadian policy of encouraging new developments through exemption from taxation during initial operations and through favorable depreciation allowances for tax purposes.

The petitioners claim in this case that "had the tariff-free status of iron ore not been bound [in trade agreements], then the company would not have changed over from local to foreign ore." This contention implies that, but for the binding, the United States would have imposed import restrictions on iron ore. It appears, however, that such action would have been unlikely inasmuch as (1) the duty-free status of iron ore has prevailed for 50 years, (2) a large and growing segment of the U.S. iron and steel industry became established on the Atlantic seaboard (notably at Sparrows Point, Md., and Morrisville, Pa.) which could not be economically supplied with iron ore from domestic sources, (3) the United States has become dependent upon imports (developed at great expense by U.S. capital) for a substantial part of its iron-ore supplies, and (4) import restrictions on iron ore could jeopardize the jobs of many more workers at iron and steel plants than the number of workers employed at domestic iron-ore mines.

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The Commission observes that the shutdown of the Ishkooda and Wenonah mines was due principally to the low grade of the red ore mined compared with that used by competing iron and steel producers. The iron content of the Alabama red ore is very much lower, and its content of such objectionable impurities as silica and phosphorus is very much higher, than that of iron ore from other sources (both domestic and imported) consumed in the United States. * * *

Iron ores containing a high iron content and a low silica content are preferred by iron and steel makers because the use of such ores enables their blast furnaces to operate efficiently

^{1/} In a letter of Nov. 14, 1958, from Robert M. Lloyd, Administrative Vice President, which was quoted on page 23 of the Commission's report on iron ore published in March 1959.

and at high capacity. The high iron content makes possible a high yield of iron from a given tonnage of ore smelted and also requires less coke; the low silica content reduces the requirements for limestone. An excessive amount of phosphorus in iron is undesirable because much of it enters into the steel produced, stiffening the steel and imparting to it other objectionable properties.

The red ore mined by TCI in recent years would hardly have been acceptable for steel manufacture except for the opportunity of mixing it with high quality imported ore. In May 1963 only one company was mining red ore in the Birmingham area. The red ore, mixed with brown ore also mined in Alabama, was used by this company for making pig iron for foundry castings and cast iron pipe, but not for the production of steel.

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The iron content of the red ore produced and used by TCI had remained virtually unchanged over the years whereas the average iron content of iron ore shipped from mines in the United States as a whole has increased steadily from about 50 percent in 1950 to about 55 percent in 1961, the last year for which data are available. The iron mineral in the red ore is so finely disseminated that the ore is not amenable to upgrading by any economic methods. Low-grade ore mined elsewhere in the United States is concentrated or agglomerated at the mines before shipment and much of the ore is now produced in the form of pellets, having an iron content of 62 to 65 percent. U.S. production of pellets rose from about 5 million tons or 5 percent of the total usable iron ore produced in 1950 to about 17 million tons or 23.5 percent of the total in 1961, the last year for which data are available. A further increase will ensue from new pellet projects still under way. TCI's shift from the low-grade red ore in Alabama to ore such as that imported from Venezuela was necessitated by the growing recourse of other steel makers to superior raw materials, both domestic and foreign.