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G-433

Truman Committee Hearing of August 11, 1942

August 12, 1942

I

The Committee met at 10:30 in the Senate Caucus Room to pursue the question of the steel shortage. Senator Truman presided and Messrs. Fulton, Kilgore, and O'Mahoney were present.

Mr. John Hosack, Vice-President-Treasurer of the Maloney Valley Steel Co., Niles, Ohio, manufacturers of steel sheets from sheet-bars, testified that his company is operating at 77-80% of capacity because of the difficulty of getting raw materials. Mr. Hosack stated that the company had bought its sheet bars from Carnegie, Illinois, and Republic steel companies for years, but said that now the large companies say they need all their sheet bars for their own production, and are no longer interested in selling. Generally, said Mr. Hosack, there is an excess of sheet facilities. Mr. Fulton observed that small companies such as Mr. Hosack's, which do only one step in the processing of the steel, are exactly in the middle of the business, buying their raw materials from the large steel companies, and selling their products in competition with those same companies. Mr. Hosack agreed.

Mr. A. M. Oppenheimer and his son, President and operating manager of the Apollo Steel Company, Apollo, Pennsylvania, stated that they are in the same position as Mr. Hosack. Oppenheimer reported that he is operating at 65-70% of capacity because of the difficulty of getting raw materials. Asked what remedy he could suggest, he said "we small companies can't dictate to the larger interests". He did agree with the Committee that if large companies would convert their strip-mills to the making of plate and leave the manufacture of sheet to the small companies which can do nothing else, it would help the small mills and greatly increase steel capacity. He feared, however, that there would not be enough ingot to keep the strip mills going, so great is their capacity for plate.

Mr. J. A. Downey, President of the Eastern Rolling Mill Co. of Baltimore, Maryland, reported that he had given up the black sheet business entirely because of the condition described by Mr. Hosack and Mr. Oppenheimer. His plant is now devoted exclusively to alloys, but is running at only 2/3 capacity. Mr. Downey was of the opinion that overall alloy shortages can only be "licked" by increasing the ore supply.

II

Mr. Henry J. Landahl of the Pacific-American Steel-Iron Corporation of Seattle, described his repeated efforts to develop rich veins of ore on the west coast and in British Columbia, and charged that he had been repeatedly thwarted by the Morgan-U.S. Steel Corporation. He told in detail of various agreements with the British and Canadian Governments, with

the Chicago-Milwaukee-St. Paul Railroad, with a group of Detroit manufacturers and engineers, and others, submitting documents to prove that such agreements had been entered into, and claimed that in every case, it was impossible to get financial backing because of the influence of the Morgan interests. Mr. Landahl praised Henry Kaiser as one of the "ablest and finest men in the world"; intimated that Kaiser had been stopped by U.S. Steel in his efforts to develop west coast resources for his ship-building programs; said that an intentionally ridiculous proposal to haul ore from the Great Lakes to a \$150,000,000 plant on the west coast was submitted in order to make the project seem impossible; charged that after Donald Nelson and Kaiser got together, "Morgan stepped in" and a contract was entered into for coal from U.S. Steel-controlled mines in Utah to be shipped to a plant site in a California orange grove, whereas the plant could have been located in Washington, the coal and steel produced "on the spot" at great savings in speed and expense. "The whole thing is an insult to the intelligence of the Government!", Mr. Landahl said vehemently.

Landahl said that he had submitted an application to the Reconstruction Finance Corporation for a \$50,000,000 loan with which he could produce 500,000 tons of west coast steel per year. He predicted, however, that the application would end in the waste basket as soon as the "Honorable Jesse Jones" consults his "U.S. Steel-dollar-a-year men".

Landahl submitted several full reports on the quality and quantity of west coast ore, including the results of a diamond drill which extended 800 feet below the surface of the ore vein and ended in rich ore.

The Committee recessed at 1:30 subject to call by the chairman.

Reporter: J. H. Pughe

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