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United States Senate

SPECIAL COMMITTEE INVESTIGATING
THE NATIONAL DEFENSE PROGRAM

June 17, 1943

MEMORANDUM

TO: Senator Harley M. Kilgore

1. On Monday, June 21, at 10 A. M., Mr. Milo Perkins will discuss the Board of Economic Warfare with the Committee privately. The meeting will be in Senator Truman's office.

2. Mr. James F. Byrnes has suggested that he would like to meet privately with the Committee on Tuesday, June 22, at 11 A. M.

3. There will be an open hearing on the subject of Mica on Wednesday, June 23, at 2 P. M., in Room 318 of the Senate Office Building. Mica is one of the most highly strategic items in the war effort. It is essential in the electronic field. At the present time there is a severe shortage of mica. Large quantities are flown from India in order to meet this shortage. On the other hand, a large potential domestic production is being discouraged as a result of practices of Colonial Mica Corporation, which is operated and controlled by the Reconstruction Finance Corporation. Attached hereto is a short memorandum on the subject.

Rudolph Hallen

MEMORANDUM WITH REFERENCE TO HEARINGS ON MICA

June 16, 1943

Mica is essential in the electronic field. Small quantities of it must be used in condensers, spark plugs and other electrical equipment. Mica has the highest dielectric of any material known. Dielectric is resistance to the passage of electricity. Before the war almost all of the mica used here came from India. Extensive deposits of clear mica were to be found in India. It was profitable to exploit these because of the cheap labor. As a result India standards, based on visual clarity of the mica, dominate the mica industry in this country. American production today is held back by an unwillingness on the part of the Colonial Mica Corporation to concede that spotted mica, which constitutes the bulk of American production, can perform satisfactorily.

Engineers in the laboratories of Bell Telephone Laboratories have developed a machine for testing mica which will prove the value of spotted micas where the spots are of such a nature that they do not affect the working characteristics of the mica. It will make available large quantities of mica and will break the serious bottleneck in the mica industry. Colonial Mica Corporation is resisting use of this machine.

Colonial Mica Corporation was set up by the Metals Reserve Company, a Reconstruction Finance Corporation subsidiary. George Purcell was the original president of Colonial Mica Corporation. Purcell has been a mica fabricator and was doing a gross business of about \$50,000 a year in recent years. He had operated under the name of Colonial Mica Company, a partnership consisting of himself and his wife. Under the present

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arrangement Colonial Mica Corporation is the agent for the Metals Reserve Company in the mica business. It receives all of its assets from Metals Reserve and it is required to operate without profit and to return all assets and liabilities to Metals Reserve on the termination of its contract. However, Purcell owns the stock in the corporation and the right to use the name after the war.

Colonial Mica Corporation purchases all domestic mica for the account of the Metals Reserve Company. It is authorized to pay a price sufficient to stimulate maximum production, to make loans to miners, to purchase equipment and rent the same to miners, to make available technical help, and in general to stimulate domestic production. Colonial sells mica to fabricators at pre-war prices, thus subsidizing the industry.

Purcell was later demoted to Vice President. Mr. Dale Pitt, a former gold mining engineer, was made president and a third man, Mr. Ray Ladoo, who was head of War Production Board's mica section, also joined the organization. These three executives received a thousand dollars a month each. Ladoo later resigned.

The industry has found the purchasing policy of Colonial to be very discouraging. As a result production has lagged. Although authorized to pay higher prices, the Company has paid low prices for mica which it claims was defective due to spots. The industry has evidence that there is considerable favoritism in fixing prices because of the purely subjective methods permitted. Only a few loans for developing new mines have been made totalling only \$30,000. As a result domestic production has lagged and miners hesitate to open old mines which have been closed or to explore for new ones.

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At Spruce Pines in North Carolina, the center of one of the most important mica mining districts in the United States, Colonial has set up a field office. In charge of this office is D. C. Burgess, who is paid a salary of \$500 per month. At the same time he receives a salary of \$300 a month from the United Feldspar and Mining Company. The United Feldspar and Mining Company operates one of the largest mica mines in the vicinity and has been receiving top prices for its mica from buyers under Burgess' supervision. Burgess is also paid a salary of \$300 a month from another company, the Explosive Supply Company, which is a subsidiary of the Mitchell Distributing Company. The Mitchell Distributing Company has sold about a million dollars worth of mining equipment to Colonial Mica Corporation. The industry contends that a great pressure is put on mining operators to use the equipment sold by Mitchell Distributing Company. Burgess had been an employee of Mitchell Distributing Company before he was employed by Colonial Mica Corporation. At the time of his employment by Colonial Mica he switched to the payroll of Explosive Supply Company. This situation has demoralized the mica producers in the territory controlled by Burgess. Moreover, Colonial Mica Corporation's field force is heavily concentrated in Burgess' area to the detriment of other areas producing mica, particularly New Hampshire and South Dakota.

If Colonial Mica Corporation is permitted to pursue its present policy, this country will be as dependent on India after the war as it is today for a substance which is absolutely essential to modern industry.

RUDOLPH HALLEY