EXECUTIVE ③

ND4-3
CM/Copper
FG11-6
ND19/CO312

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

11/17/66

MEMORANDUM FOR THE PRESIDENT

I am setting forth below the sequence of events and people contacted by the Office of Emergency Planning personnel re the release of copper from the stockpile.

1. On November 2, 1966, at 2:30 P.M., Messrs. Rodney Borum, Administrator, Business and Defense Services Administration, and A. A. Bertsch, Assistant Administrator, called on me to discuss set-asides on copper production. William N. Lawrence of my staff was present. Mr. Borum stated that defense demands for copper made it necessary to raise the set-asides on copper producers from 18 percent in the fourth quarter to 29 percent in the first quarter 1967. He indicated BDSA could raise the set-aside only to 23 percent and place directives for the additional 6 percent without public announcement. Mr. Borum also stated that the announcement should be made about November 15th.

2. On November 3, 1966, I sent you a memorandum on this subject (copy attached).

3. On November 9, 1966, I called Mr. Jacobsen at the ranch to inquire if any decision had been made on my memorandum. He told me that the memorandum had been given to Secretary McNamara. I then discussed the matter with Mr. McNamara who suggested that we use the 23 percent set-aside.

4. On November 10, 1966, at 9:45 A.M., Mr. William Lawrence called on Messrs. Borum, Hockersmith, Deputy Director of BDSA, and Bertsch at their office in the Commerce Building and suggested that they prepare a press release setting forth the 23 percent set-aside, but to take no other action until they heard further from me.

5. On November 12th, I called Mr. Jacobsen at the ranch to inquire if any action would be taken on my memorandum. He told me that it had been misplaced and requested that I send the information to him by TWX. This was dispatched at about 4:30 P.M. from the Situation Room, White House. William Lawrence assisted me in the preparation of the TWX.

Filed by Califano's Office 1/5/68

6. About 7:00 P.M. on November 12th, Mr. Bertsch, BDSA, called William Lawrence at his home and told him that Mr. Califano had requested Mr. James Collins, Deputy Assistant Secretary of Commerce, to hold-up on the release of the set-asides announcement for a couple of days. Mr. Lawrence gave me this information on Monday, November 14th.

7. On Monday, November 14th, Mr. Califano called me and said you were thinking about a release of 200,000 tons of copper from the stockpile and that Secretary McNamara had been asked to call Congressman Rivers and Senator Russell about the matter. Mr. Califano asked me to send him a copy of my TWX to you of November 12th.

8. On Tuesday, November 15th, Mr. Califano called and said you had decided to release the 200,000 tons of copper and asked that we have a meeting in Mr. John Robson's office in the Executive Office Building. I told him I couldn't go because of a prior engagement but would send Lawrence. Mr. Lawrence was not present at the time so I asked Mr. Lyle Belsley of my staff at 10:25 A.M. to give him the message, which he did at 10:45 A.M. Mr. Lawrence went to Mr. Robson's office and discussed a draft of my memorandum of November 15th to you on the release of copper from the stockpile. Mr. Lawrence returned to the Winder Building and had the memorandum typed and read by my secretaries, Miss Melba Gandy and Miss Alice Bandy. Mr. Lawrence returned the memorandum to Mr. Robson about 11:30 A.M.

9. On November 15th, at about 12:00 noon, Mr. Lawrence received a telephone call from a Mr. Walter Rielley, 815 Connecticut Avenue, Washington representative of the Godoletz Co. Mr. Rielley stated that his firm's office in London had heard that there was to be a 200,000 ton release of copper from the stockpile and an increase in the set-aside on copper producers to 23 percent. Mr. Lawrence told Rielley he knew nothing about such actions.

10. On November 15th, at about 2:00 P.M., I called Mr. Robson to ascertain if the letters supporting my memorandum to you had been received from the Secretaries of the Departments and the Attorney General. He told me they had been received.

11. About 2:15 P.M., Mr. Lawrence informed Mr. Emmet Riordan of my staff that the number of calls to his office from trading companies

and trade journals -- none of which were accepted -- indicated that someone had leaked the information. Mr. Riordan passed this information on to Mr. Fleming at the White House.

12. Miss Marion Worthing, State Department, called Mr. Lawrence at about 10:30 A.M., November 15th. He returned the call about 3:00 P.M. She stated she had wanted information on the release to prepare a letter for the White House.

13. About noontime on November 15th, Mr. Charles Sims, Department of Justice, informed Mr. Merker of my staff that the Attorney General had sent forward his opinion concurring in the release.

14. As this is written on November 16th, apparently someone is still talking. Miss Worthing, State Department, informed Mr. Lawrence at noon that a Mr. Henry Gardiner, who is a representative of the Anaconda Copper Co., had called her this morning and told her of what he characterized as the "snafu" at the White House yesterday afternoon.

Farris Bryant
Director

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

NOV 3 1966

MEMORANDUM FOR THE PRESIDENT

The Business and Defense Services Administration, Department of Commerce, has informed me that the military and war-supporting demands for copper for the Vietnam war have increased to the point that it will be necessary to raise the set-aside for defense orders on U.S. copper refinery production from the current 18% to 29% in the first quarter of 1967. In order to be effective, an announcement of this increase must be made about November 15th. Every precaution is being taken to insure that no mention is made of this change until after the election.

The BDSA has requested that I determine the course of action that will be followed in announcing this increased set-aside.

The two courses of action which have been suggested are:

1. A public announcement that the set-aside will be 29% in the first quarter of 1967. This announcement will undoubtedly have a traumatic effect on industry and probably will lead to strong pressures for another release of copper from the stockpile.

2. A public announcement that the set-aside will be increased to 23% in the first quarter of 1967. Without public announcement, the remaining 6% will be handled by directive action on the copper producers by BDSA. This announcement would be less exciting to industry, but would provoke the copper producers because of their strenuous objections to directives which upset their production and delivery schedules and cause losses of production.

It occurs to me that if you feel another release of copper from the stockpile is desirable for the U.S. economy at this time, that the first course of action would provide a good practical foundation for such a release.

I will appreciate your advice.

Farris Bryant
Director

November 17, 1966

FOR Deke DeLoach

FROM Joe Califano

You might want the attached in connection with the matter we discussed this afternoon.

DEPARTMENT OF STATE
SPECIAL ASSISTANT TO THE UNDER SECRETARY

November 16, 1966

TO: Mr. Joseph Califano
The White House

Mr. Katzenbach asked that this be brought to your immediate attention.

JC

John F. Campbell
Staff Assistant

EXECUTIVE

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CM/Copper
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FG105

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E - A.M.

REF: DEPTEL 85368

NO DISTRIBUTION OUTSIDE DEPARTMENT FOR DELIVERY IN DEPARTMENT 0900 WASHINGTON TIME

1. FOLLOWING IS TEXT OF REUTERS DISPATCH DATELINED NEW YORK NOVEMBER 15. QUOTE COPPER FUTURES WERE WEAK TODAY CLOSING AT THE 2 CENT DAILY LIMIT DECLINE. SELLING WAS ACTIVE AND REPRESENTED LIQUIDATION ON THE SHARP DECLINE IN LONDON AND THE RUMOURS OF A FURTHER RELEASE OF COPPER FROM THE U.S. STOCKPILE.

DEALER SOURCES SAID THE RUMOURS MENTIONED THE RELEASE OF ANOTHER 200,000 TONS OF COPPER FROM THE STOCKPILE DURING 1967 TO BE USED AGAINST INCREASED SET-ASIDES FOR COPPER FOR DEFENCE PURPOSES. UNQUOTE.

2. EMBASSY UNDERSTANDS FROM REUTERS LONDON THAT FOREGOING DISPATCH WAS BASED ON EARLIER REUTERS REPORT FROM LONDON THAT TRADE QUARTERS HERE ATTRIBUTED DECLINE OF COPPER PRICES ON LME NOVEMBER 15 TO VAGUE RUMORS OF FURTHER COPPER RELEASES FROM U.S. STOCKPILE. BRUCE
BT

Filed by Califano's Office 1/5/68

EXECUTIVE

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CM/Copper
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FG11-6
FG135

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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

November 14, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO

FROM : John E. Robson John Robson

SUBJECT: Copper Stockpile Release

1. Attached are the following papers for possible Section 5 copper release:

    CEA
    Defense
    Commerce
    Treasury
    State
    OEP
    The President

   All but the CEA paper are in draft and, if approved, can be typed and sent.

2. Justice has a draft of its opinion which it will deliver after seeing the recommendations from the other agencies (the CEA paper is already in Justice's hands).

3. I will mention again that I think the major copper producers should be advised before a release is announced.

Attachments

P. S. The papers follow in substance the ones prepared by John Douglas for the March release.

JER

Filed by Califano's Office 1/5/68

November 14, 1966

MEMORANDUM FOR THE ATTORNEY GENERAL

Subject: Copper

Shortages and uncertain availability of copper supplies continue to pose serious threats to the common defense and to the viability of the U.S. economy. These threats can be avoided only if the President is able, as necessary, to release copper from the stockpile.

Copper consumption for defense needs and the civilian economy continue to expand rapidly and are expected to exceed the increase in supplies from domestic mines. For 1967, defense needs are expected to exceed 1966 requirements by 60%. 1966 requirements, in turn, were nearly 4 times as great as in 1965. As a result, copper supplies in 1967 are expected to fall short of demand by as much as 300,000 tons. Foreign sources of supply are subject to uncertainties arising from periodic strikes and the continuing political difficulties between Rhodesia and Zambia. Domestic supplies may be interrupted during 1967 by labor disputes.

During the past year, variations in the foreign supply situation have generated speculation in copper and wide fluctuations in the dealers' price for copper. Although major producers continue to maintain a price of 36¢ a pound, certain domestic producers have increased prices and the price in the dealers' market has ranged from under 40¢ to nearly $1. In the last two months, prices have been rising and, in view of the domestic supply and demand situation, further substantial increases may occur. Copper producers continue to allocate their production among their customers, causing hardships in many instances.

Stockpile releases in the past year have prevented any serious disruption of production and have limited the increase of prices in the dealers' market. However, the demand for copper continues to increase. Many users are finding difficulties in obtaining adequate supplies.

The maintenance of our military and economic strength requires an orderly supply of copper to the market at stable prices. It is used in the production of a great variety of products from electrical equipment to automobiles and trucks. It is a key material in the war in Vietnam. Not only are the common defenses and essential civilian production threatened by the present situation, but, in addition, the economic health of the Nation is endangered by recent and prospective price increases. Renewed increases in copper prices would cause upward pressure on the Nation's industrial price structure. Higher industrial prices increase the cost of living, generate demands for excessive wage increases, and contribute to a wage-price spiral. Such a sequence of events would seriously impede the Nation's ability to restore equilibrium to its balance of payments. A strong balance of payments is necessary if we are to obtain materials from abroad for the common defense and for other necessary purposes. Release of copper from the national stockpile will fill the gap between supply and demand for copper. It will help to meet the increased requirements for the war in Vietnam. It will reduce or eliminate disruptions of normal channels of supply and prevent the buildup of speculative buying for inventory. By contributing to the stability of prices, it will also help to hold down the cost of our total defense effort, thereby permitting defense expenditures to be stretched further. It will also assist in maintaining general price stability and assist in the improvement of our balance of payments position.

The President should be able to release up to 200,000 tons of copper from the national stockpile for purposes of common defense and to maintain the strength of our economy.

Arthur M. Okun
Acting Chairman

[DEFENSE] DRAFT

November , 1966

Dear Governor Bryant:

In November 1965 and in March 1966 the Government authorized release of 200,000 tons of copper from the national stockpile. Because of conditions which threatened the prompt filling of defense orders, general price stability, and an orderly copper supply, both actions were recommended by the Defense Department.

The conditions which supported the previous releases have intensified. The effort in Vietnam has increased and the Department projects that 1967 defense needs for copper will be approximately 60% higher than in 1966. World supplies have recently been curtailed and continue to be threatened by political conditions and labor problems. Neither price stability nor an orderly marketing situation have yet been achieved.

In the letter of March 16, 1966, from Deputy Secretary of Defense Cyrus Vance to the Acting Director of the Office of Emergency Planning, the critical relationship between the national defense effort, a stable economy, and the supply of basic commodities such as copper was pointed out. The same points can be made now with equal force.

Accordingly, it is my opinion that an immediate release of 200,000 tons of copper from the national stockpile is essential for the national defense. Consideration should be given to a balanced schedule of disposal which permits the orderly adjustment by industry to the continued fulfillment throughout 1967 of the projected increased defense needs for copper. I also urge that continued efforts be made to arrange for replenishment of the national stockpile as soon as practicable.

Robert S. McNamara

Honorable Farris Bryant
Director,
Office of Emergency Planning
The White House

[COMMERCE] DRAFT

November , 1966

MEMORANDUM FOR HONORABLE FARRIS BRYANT,
DIRECTOR, OFFICE OF EMERGENCY PLANNING

Subject: Disposal of Copper from the National Stockpile

As you are aware, the Department of Commerce administers the programs which assure that the national defense needs for copper products are met by industry. This is accomplished under authority of the Defense Production Act through the set-aside program and supplemental directives. Because of increased defense requirements, the Department will announce very shortly a substantial increase in the quarterly set-aside rate for the first quarter of 1967 and it is anticipated that the supplemental directive program will have to be continued. Our projections for 1967 contemplate a large deficit in copper supply.

The world copper supply situation also continues to be critical. Zambia has reduced its normal production by about one-third and may face even greater disruptions. This has affected both the supply and price of copper in our European ally nations and the price stability and orderly marketing of copper in this country.

I have also considered carefully the recommendations and opinions of the Secretaries of Defense, Treasury, and State, the Acting Attorney General, and the Council of Economic Advisors on the subject of the necessity for a release of copper from the national stockpile.

In my memorandum of March 16, 1966, to the Acting Director of the Office of Emergency Planning, I stated that an orderly supply of copper is essential to the common defense of the United States. I now confirm that statement and recommend that a release of 200,000 tons of copper be made immediately from the national stockpile. I repeat my earlier recommendations that efforts be continued to make arrangements to replenish the stockpile as soon as is practicable in the future.

John T. Connor

[TREASURY] DRAFT

November , 1966

MEMORANDUM FOR THE HONORABLE FARRIS BRYANT,
DIRECTOR, OFFICE OF EMERGENCY PLANNING

In my memorandum of March 17, 1966, to the Acting Director of the Office of Emergency Planning, I recommended, in the interests of the common defense and the maintenance of the country's economic strength and stability, release from the national stockpile of 200,000 tons of copper. This release was made and the additional supply of this important commodity contributed significantly to the defense effort and national economic stability. For the same reasons, I believe that further release of copper from the national stockpile is required at this time.

A world copper shortage persists and a significant increase in U. S. copper consumption, in large part due to increased defense requirements, is projected for 1967. Uncertainties in copper supply have disrupted orderly marketing in the U. S. and may result in further inventory speculation, more severe customer allocation by producers, and interruption of production for essential uses. We are also seeing continued upward pressures on copper prices which threatens the national price stability so critical in our effort to ameliorate the international balance of payments situation.

For these reasons it is my opinion that the national interest and common defense require an immediate release of at least 200,000 tons of copper from the national stockpile.

Henry H. Fowler

[STATE] DRAFT

November , 1966

Dear Governor Bryant:

Recent developments in central Africa have already curtailed current world copper supplies and throw grave uncertainty as to the uninterrupted availability of these supplies in the future. These uncertainties are reflected in speculative activities both in the London market and in this country and in a wide disparity between the prices for copper in this country and elsewhere in the world. No immediate relief from this situation is seen.

Domestic copper supply is also affected by substantially increased defense requirements for copper for 1967. Both the unsettled world copper situation and the increased pressures on supply in this country threaten price and economic stability in the United States, with the consequence that our balance of payments problem may be aggravated. This, in turn, may create additional foreign relations problems, particularly in the areas of foreign aid and foreign trade.

I am advised that the near-term supply-demand balance can be significantly helped by a release of 200,000 tons of copper from the national stockpile. I recommend that such a release be made as soon as possible.

Dean Rusk

Hon. Farris Bryant
Director
Office of Emergency Planning
The White House

[OEP]

DRAFT

November , 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Disposal of Additional Copper from the National Stockpile

In my opinion the copper situation at present and as projected for the forthcoming year threaten the common defense.

The Secretaries of State, Treasury, Defense, and Commerce and the Council of Economic Advisers are of the opinion that an immediate release of 200,000 tons of copper from the national stockpile is required for the purposes of the common defense. The Acting Attorney General has given me his opinion to the effect that the President has authority in the present circumstances to release additional amounts of copper from the national stockpile under Section 5 of the Strategic and Critical Materials Stockpile Act.

I recommend that you make the necessary determination for a release of 200,000 tons of copper from the national stockpile.

I recommend further that disposal be made through regular producer channels solely for defense and defense-supporting users and that disposal be timed so as to permit the continued fulfillment of defense needs during 1967 and thereafter with the minimum disruption of normal schedules of production and distribution. It is my recommendation, as well, that efforts be continued to make arrangements for replenishment of the copper supply in the national stockpile and to expand domestic copper production through the sound use of Government programs available for this purpose.

Farris Bryant
Director

[PRESIDENT]

DRAFT

November , 1966

MEMORANDUM FOR Honorable Farris Bryant
Director
Office of Emergency Planning

I approve your recommendation and the recommendations of the Secretaries of State, Treasury, Defense and Commerce and the Acting Chairman of the Council of Economic Advisers regarding the release of 200,000 tons of copper from the national stockpile.

In accordance with the provisions of Section 5 of the Strategic and Critical Materials Stockpiling Act, as amended (50 U.S.C. 98(d)), and based on the recommendations mentioned above and the opinion of the Acting Attorney General, I herewith determine that such release is required for purposes of the common defense. Disposals should be made through regular producer channels solely for defense and defense-supporting users, as necessary. Disposals should be made on a periodic basis in such a way as to facilitate the orderly distribution of copper supplies to fulfill defense needs.

I also approve the other recommendations in your memorandum of November __.

Lyndon B. Johnson

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE

FH11-8-1/Goldstein, Ernest

TA4
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FO8
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WE9
FI1-2
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ND4-3
PC2

Thursday, November 9, 1967
7:00 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Ernest Goldstein

Mr. President:

Last night you told me to report by memorandum my discussions with Walt Rostow and Joe Califano regarding my further areas of responsibility.

I first talked with Walt who suggested 4 items to be operated through his shop:

1. Export Program
2. Base Studies
3. Law of the Sea
4. International Conference on the Extension of the Great Society

I discussed this matter a second time with Walt because my experience with the effort to export packaged hospitals convinced me that it was impractical and unwise to carve Exports out of the broader Balance of Payments package. Walt then withdrew Exports from the list and did not offer Balance of Payments.

Balance of Payments standing alone would make a lot of sense as an area of responsibility. The grab bag of Lawof the Sea, Base Studies and International Conference on the Extension of the Great Society seem like a minimal use of my skills and interests. My practical, as well as theoretical, business, economic and legal experience in the foreign field makes Balance of Payments a natural.

Joe Califano suggested 3 items:

1. Cost reduction
2. Immigration
3. Stockpile

RECEIVED
MAR 2 1968
CENTRAL FILES

Nothing else sent to
Central Files as of 3/12/68
N.S.

EXECUTIVE
ND4-3
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(5)

w/EF

November 7, 1966

FOR Secretary McNamara

FROM Joe Califano

Attached is a copy of Governor Bryant's memorandum on the copper stockpile which I believe the President asked you about at the Ranch. Also attached is a memorandum from John Robson on the same problem.

When you have had a chance to read these, would you please give me a call so I can get back to the President on this matter.

1.) McN - 23%, 6%, 200,000 ton release
2.) Bryant - the same
3.)

Filed by Califano's Office 1/5/68

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

November 7, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO

FROM : John E. Robson John Robson

SUBJECT: Copper Situation

1. If the Viet Nam war continues at its present level through 1968, large copper deficits are forecast for 1967 (313,000 tons) and 1968 (330,000 tons). Roughly 50% of each yearly deficit is attributable to the increase in defense requirements above 1966 defense needs. In 1969 supply and demand will about break even. Surplus supply is projected for 1970 and 1971 (157,000 and 180,000 tons).

   * Defense requirements are clearly a big reason for the near-term pinch.

     - For 1967 and 1968 defense needs are forecast at 400,000 tons annually, up 500% over 1965 (64,000 tons) and 60% over 1966 (250,000 tons).

     - Meanwhile, the total increase in civilian needs through 1968 will take only about 325,000 tons (100,000 in 1967, 225,000 in 1968), an average yearly increase of about 3%.

     - Defense demand is forecast to drop to 200,000 tons in 1969 and to 100,000 tons by 1971.

   * To meet the big jump in defense needs an increase in set-asides from 18% to 29% is slated for next quarter. Announcement is scheduled for mid-November.

   * The forecast (an interagency effort) does not have a "safety valve" for contingent supply interruptions.

     - Labor contracts for all the big and most important smaller U. S. producers and refiners expire next June and July. The companies expect a rough time.

     - Labor contracts for Chilean operations which supply some of the U. S. needs also expire in June or July.

     - While there is some debate on this, present industry stocks are probably insufficient to meet any significant supply interruption without disruption of production.

   * The tight supply is not news. Only the two recent stockpile releases avoided a supply deficit of over 300,000 tons in 1966.

2. Aside from the stockpile, the possibilities for filling the near-term supply gap are limited.

* Prohibition of all exports of copper from domestic ore and scrap is possible but seems undesirable.

- Export controls are already quite stringent. 100% prohibition would net only about 96,000 additional tons a year and would cost about $100 million in balance of payments.

- The brunt of 100% export controls would fall on Kennecott. This could seriously undermine Kennecott's cooperation in our price-holding program and the State Department's current efforts to persuade Kennecott to divert more of its foreign production to the U. S.

* Attempts are being made to get more copper from foreign sources. While we have hope for some relief here, it is uncertain because of the threat to world supplies posed by the possibility of another cut-back in Zambian copper. (Zambian production has been cut one-third below normal.)

* Some near- and far-term help should come from Government programs to expand copper production.

- From the 140 applications for incentive program aid submitted to GSA, it is expected that three deals for increased production starting in 1968 will be finalized shortly:

  Duval Corporation: 29,000 tons a year. 58,000 tons a year by 1969.

  Two Small Companies: 4,000 tons a year.

- In negotiation now, and very promising, is a deal with Quintana Minerals Corp. which could bring in 100,000 tons a year starting in 1971.

- International Nickel Company has mining rights on Federal land in Minnesota. If final exploration proves out, 50,000 tons a year could be brought in starting in 1972.

3. Stockpile Release Considerations.

* For a Section 5 release

- "Common defense" case is good.

- Without copper sales the stockpile revenue goal can't be reached ($144 million from 200,000 tons of copper).

- Without a release the price stabilization effort will be under even greater pressure.

* Against a Section 5 release

- We're already under stockpile objective (750,000 tons is objective, present inventory is 409,000). From a national security standpoint we shouldn't go further without a change in objective. (The argument against this is that there is a lot of copper going into non-essential civilian uses which could be diverted to defense if we had to.)

- It will create Congressional ill will, possibly jeopardizing the whole 1967 stockpile disposal program.

- Industry stocks may be higher than industry admits and the supply situation may be better than is forecast--so it's better to sit tight until a critical need is certain.

* Timing of a Section 5 release

- The biggest pinch will probably be in the 2nd and 3rd quarters in 1967. (The last release should have some "carryover" effect into the 1st quarter.).

- Ideally, announcement of the increased set-asides and the release should coincide.

- If the announcement of higher set-asides can be deferred to December, the Section 5 release can be authorized then. Details of the disposal plan could be promulgated after the announcement. The disposal plan would take into account:

  - getting it underway before Congress convenes.

  - leaving it sufficiently flexible to balance the objectives of getting the revenue before June 30 and maintaining a reserve to meet possible strike needs during and after June.

Mr. Califano

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

NOV 3 1966

MEMORANDUM FOR THE PRESIDENT

The Business and Defense Services Administration, Department of Commerce, has informed me that the military and war-supporting demands for copper for the Vietnam war have increased to the point that it will be necessary to raise the set-aside for defense orders on U.S. copper refinery production from the current 18% to 29% in the first quarter of 1967. In order to be effective, an announcement of this increase must be made about November 15th. Every precaution is being taken to insure that no mention is made of this change until after the election.

The BDSA has requested that I determine the course of action that will be followed in announcing this increased set-aside.

The two courses of action which have been suggested are:

1. A public announcement that the set-aside will be 29% in the first quarter of 1967. This announcement will undoubtedly have a traumatic effect on industry and probably will lead to strong pressures for another release of copper from the stockpile.

2. A public announcement that the set-aside will be increased to 23% in the first quarter of 1967. Without public announcement, the remaining 6% will be handled by directive action on the copper producers by BDSA. This announcement would be less exciting to industry, but would provoke the copper producers because of their strenuous objections to directives which upset their production and delivery schedules and cause losses of production.

It occurs to me that if you feel another release of copper from the stockpile is desirable for the U.S. economy at this time, that the first course of action would provide a good practical foundation for such a release.

I will appreciate your advice.

Farris Bryant

Farris Bryant
Director

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

Memorandum on Release of Copper from the National Stockpile

It has been proposed that 200,000 S.T. of copper be released from the National Stockpile. Because of the current shortage of copper, this will enable the General Services Administration to increase its disposal of strategic and critical materials in an amount approximating $144,000,000.

The current conventional war stockpile objective for copper is 775,000 S.T. The current inventory is 408,791 S.T.

Since November 1965, there have been two Presidential releases of copper from the National Stockpile of 200,000 S.T. each on the grounds of "common defense."

In recent months, there has been considerable discussion among members of the Cabinet and their subordinates of the criteria which presently govern the establishment of stockpile objectives.

If certain proposed changes in these criteria were adopted and applied to the stockpile objective, the following alternatives would result:

1. The three-year war emergency period is continued and we assume supplies of copper will be available in wartime from all normal Free World sources--the stockpile objective would be 491,000 S.T. above our current inventory.

2. The war period is reduced to two years and all Free World sources are assumed to be available in wartime. This would reduce the stockpile objective to 290,000 S.T. and would make available for disposal 119,000 S.T., valued at $86 million.

Another criterion which could affect the stockpile objective for copper is our current practice of discounting domestic supply if one plant produces more than 25% of the annual U. S. consumption. This concentration discount, applied to insure against sabotage or disaster, runs only for that period of time it would take to rebuild the plant or plants.

In the case of copper, there is a discount because of the concentration of three major copper smelters adjacent to the N. Y. City harbor, with a combined capacity of 649,000 S. T. annually.

An Ad Hoc Committee of the National Academy of Sciences has recently examined this criterion for me, and has recommended that it be continued as a valid discount. It also recommended that OEP work with industry to determine if there are ways of substituting other capacity for the discounted plants. We are proceeding to implement this recommendation, but it will take several weeks to complete our work.

In your consideration of a further release of copper from the stockpile, I wish to offer the following arguments for and against such an action:

<u>In Favor of a Release</u>

1. Military and war supporting demands for the Vietnam war have increased to the point that plans are being made by the Business and Defense Services Administration for a set-aside of 29% of refinery production of copper from domestic ores for defense orders in the first quarter of 1967. This is an 11 percent increase of the set-aside of 18 percent for the fourth quarter 1966.

2. World prices are still high -- affected by frequent strikes and curtailment of production in Zambia because of shortage of coal. Further releases of stockpile copper will undoubtedly help to maintain the current 36¢ U. S. price.

3. Estimates of U. S. consumption and supply over the next two years indicate that demand will exceed supply by about 300,000 tons in 1967 and again in 1968. This assumes continuation of the Vietnam war at present levels through 1968.

4. A release of copper from the stockpile at the present time would likely go into inventories rather than consumption. This could support industrial production during the second and third quarters of calendar 1967 if strikes occur when the present copper labor contracts expire between March and June 30, 1967.

Opposed to a Release at this Time

1. There are indications that some consumer inventories of fabricated copper mill products are high at the present time, as much as 32 to 60 days' supply, and that the order boards at the mills contain many duplications.

2. Some, if not all, of the estimated excess inventory must be assumed to have derived from the release of copper from the stockpile during 1966.

3. Congressional reaction to more Sec. 5 releases of copper could be detrimental to the next two years of your Administration.

4. Expansion of copper producing capacity sponsored by major U. S. producers is proceeding well and will bring some additional supplies in 1967 and 1968. Real increases in supply will come in 1969 through 1971.

5. Copper producers have predicted that contract negotiations between themselves and labor unions, starting in March 1967 through June 1967, could be rough. Strikes of undeterminable length could occur. It may be necessary to use all of the remaining inventory in the stockpile to maintain defense production.

6. Elimination or reduction of the remaining inventory of copper could leave future Presidents and the United States a potential legacy of disaster.

November 3, 1966

B

MEMORANDUM

EXECUTIVE

ND 4-3
FG 240
PQ 1

THE WHITE HOUSE

WASHINGTON

6:15 p.m., Tuesday
November 1, 1966

FOR THE PRESIDENT

FROM Joe Califano

In the attached memorandum, Lawson Knott reports on the incredible accomplishments of the 89th Congress in the stockpile area. Bills involving 44 different commodities, valued at $1.8 billion, were passed.

Knott also reports that, at this point, he is only assured of selling $600 million worth of materials. We have this matter under review at this time, and we believe that we will find a way to reach the $1 billion goal. Governor Bryant, John Robson and Joe Moody are working on it, and our Stockpile Committee will have a report to you within a couple of weeks.

There are two areas in which your involvement may at some point, late this year, become necessary. One is in the release of another 200,000 tons of copper and the other involves a lead and zinc program. We have tremendous quantities of excess lead and zinc, and the situation is similar to the situation we faced in aluminum, with two differences. The differences are that the lead and zinc interests are very powerful on the Hill and that the prices of lead and zinc are falling.

Attachment

GENERAL SERVICES ADMINISTRATION
WASHINGTON 20405

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

OCT 28 1966

Subject: Stockpile Legislation

The accomplishments under the GSA Legislative Program for the 89th Congress, dealing with disposal of excess stockpile materials, reached recordbreaking proportions with legislative enactments authorizing the disposal of 44 different commodities valued at $1.8 billion.

Immediately upon passage of this authorizing legislation, GSA expanded its disposal program to encompass the newly authorized commodities which, together with other materials available for disposal, are being sold as rapidly as economic, market, legislative, and regulatory conditions permit.

During the period the 89th Congress was in session, disposals totaled $1.4 billion of which $587.4 million represented disposals under legislative authorizations by that Congress. The disposals of $1.4 billion represented a gain of approximately $133.6 million over acquisition cost, of which $86.6 million is attributable to materials disposed of under legislation approved by the 89th Congress.

Disposal plans have been shaped for the balance of $1.2 billion remaining from these authorizations. The disposal of these commodities must, to avoid market disruptions, be made over varying, and sometimes lengthy, time periods as indicated by the enclosure. For example, in the case of quartz crystals the present rate of commercial demand is such that it will require 40 years for the market to absorb the total excess.

Under existing disposal authorizations and prevailing market conditions, our sales volume in fiscal year 1967 will approximate $600 million as indicated to you in my memorandum of September 1 (copy enclosed). Our program contemplates disposals at the maximum rate at which the stockpile excesses can be absorbed by the market. This program will be under continuous review and will be adjusted as changing market conditions permit or require.

Lawson B. Knott, Jr.

Lawson B. Knott, Jr.
Administrator

Enclosures

GENERAL SERVICES ADMINISTRATION
STOCKPILE DISPOSAL LEGISLATION 89TH CONGRESS

Commodity	Estimated Market Value ($ millions)	Estimated Disposal Period (in years)
Aluminum	$ 450.000	10
Aluminum Oxide	18.720	13
Asbestos, Amosite	3.700	7
Asbestos, Crocidolite	2.100	11
Bauxite, Refractory	4.600	2
Bismuth	.850	completed
Bismuth Alloys	.150	completed
Celestite	.400	15
Chromite, Chemical Grade	11.500	20
Chromium Metal	.150	completed
Chromite, Metallurgical	23.700	4
Colemanite	1.700	6
Copper	160.000	completed
Cordage Fiber, Abaca	20.000	8
Cordage Fiber, Sisal	10.000	4
Diamond Dies	.050	completed
Diamond Industrial Stones	23.300	20
Fluorspar, Acid Grade	1.480	2
Graphite	6.900	30
Hyoscine	.030	completed
Lead	60.000	2
Magnesium	17.000	1
Manganese, Battery Synthetic	9.000	9
Manganese, Metallurgical	65.767	10
Mica, Muscovite	40.300	15
Mica, Phlogopite	6.100	7
Molybdenum	23.600	1
Nickel	187.000	1
Opium	2.500	3
Platinum	31.600	completed
Quartz Crystals	75.500	40
Rhodium	.100	1
Rubber	340.000	5
Ruthenium	.800	1
Silicon Carbide	.020	completed
Silk, Noils	.500	completed
Silk, Raw	.500	completed
Talc	.100	100
Thorium	14.500	12
Vanadium	30.000	3
Vegetable Tannins		
Chestnut	3.100	5
Quebracho	23.500	50
Wattle	4.600	5
Zinc	127.500	2
	$1,802.917	

GENERAL SERVICES ADMINISTRATION
WASHINGTON 20405

September 1, 1966

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

Subject: Disposal of Stockpile Materials in Fiscal Year 1967

The dedicated GSA people who achieved the $1 billion sales goal in fiscal 1966 have been exploring ways and means of approximating a $1 billion level in fiscal 1967.

At the current disposal rate, aggregating $90. 6 million through August 31, sales commitments and income in fiscal 1967 from stockpile excesses currently available for disposal will approximate 1/2 to 3/4 billion dollars.

We have formulated a tentative plan to reach a $1 billion disposal and income volume in fiscal 1967. This has been discussed several times since May 1966 with the Interagency Ad Hoc Committee on Stockpile Disposals. OEP is now reviewing both the objectives for certain materials, availability of which is essential to our plan, as well as basic stockpiling criteria.

However, with one-sixth of the fiscal year already gone there are some real problems in this regard that we think you should know about. Over $400 million of our 1967 plan is dependent upon availability of additional quantities of copper, nickel, molybdenum, and platinum being made available for disposal.

Disposal of total inventories of copper and nickel will be required. The required additional quantities of molybdenum and platinum are less than total inventories of these materials. We have advised both OEP Director Bryant and Budget Director Schultze that decisions must be forthcoming not later than November 1, 1966. There is doubt as to whether Congress would authorize disposal of total holdings of copper and nickel even if stockpile objectives were eliminated.

To summarize, we will continue maximum efforts to realize maximum income from stockpile disposals during fiscal 1967 from available materials. But, two matters must be recognized: first, whether the necessary quantities of the four materials mentioned above are made available for disposal is a matter beyond the control of GSA and, secondly, if the required quantities of these materials are not made available for disposal early next year, no sound basis exists to expect sales volume or income approximating the $1 billion level in fiscal year 1967.

Lawson B. Knott, Jr.

Lawson B. Knott, Jr.
Administrator

EXECUTIVE
ND 4-3
FG 240
PQ 1

(3)

GENERAL SERVICES ADMINISTRATION
WASHINGTON 20405

OCT 31 1966

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: Honorable Joseph A. Califano, Jr.
Special Assistant to the President

SUBJECT : Tentative Program for Disposal of Stockpile Materials in Fiscal Year 1967 - "Discussion Draft"

Enclosed is a "Discussion Draft" of a report outlining a tentative disposal program for fiscal year 1967.

You will see that on the basis of materials presently authorized for disposal, the maximum sales potential for fiscal year 1967 is approximately $600 million. However, this estimate can be expanded to provide for sales and receipts of close to $1 billion if certain new materials are timely added to disposal availabilities. The report details the materials needed and the steps to be taken to make them available.

As agreed at the October 28 meeting, the Draft is to be the subject of discussion at a forthcoming meeting of the Ad Hoc Committee.

Lawson B. Knott, Jr.
Administrator

Enclosure filed Oversize Attachment

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RECEIVED
JOE CALIFANO, JR.

1966 OCT 1 AM 1 35

BB/

EXECUTIVE (6)
TN1-1
ND4-3
CM/Nickel
FI4

GENERAL SERVICES ADMINISTRATION

Washington, D.C. 20405 FG11-1

October 24, 1966 RA4
FG135-6
FG240

MEMORANDUM TO: Honorable Joseph A. Califano, Jr.
Special Assistant to the President

SUBJECT: Daily Report to the President - Memo Oct. 18

ACTION TAKEN TO EXTEND MOTOR VEHICLE USE, RE-CHECK REQUISITIONS

Action has been taken to provide for longer use of Federal motor vehicles and to re-examine requisitions for their new purchases. The Director of the Bureau of the Budget by his letter of October 22, 1966 (copy attached) agreed to the GSA proposal. Use standards will be lengthened. In addition:

- GSA is issuing revised replacement standards for passenger cars and trucks in accordance with the policy;

- Agency requisitions for sedans and station wagons will be returned for review against the new criteria.

BILL PASSED AUTHORIZING SALE OF 24.5 MILLION POUNDS OF NICKEL

Before adjournment, Congress completed action on the bill authorizing disposal of 24.5 million pounds of excess stockpile nickel.

The nickel will be sold by GSA under allocations made by the Business and Defense Services Administration of the Department of Commerce. BDSA will make the allocations to domestic consumers with the restriction that it must be consumed in domestic plants. The allocations will be made on the basis of data submitted by the consuming industry in reply to questionnaires to be issued by BDSA. Broadly

EXECUTIVE

3

ND 4-3
CM/Rubber
PQ 1
FG 105

gah
Jct

October 17, 1966

MEMORANDUM FOR SECRETARY OF STATE

SUBJECT: 1967 Disposals from U. S. Government Rubber Stockpile

The President has approved the recommendation contained in your memorandum of October 15 that, prior to the Manila Conference, the U. S. Government should announce that disposals from the U. S. Government rubber stockpile will be at an annual rate of 120,000 tons for 1967.

/s/

Bromley Smith

cc: Mr. Califano

gat/hir

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

EXECUTIVE
ND 4-3
CM/Rubber
PQ1
FG 240
FG 11-1
PU1/FG 240

October 12, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO

FROM : John E. Robson John Robson

SUBJECT: Rubber Stockpile Sales

1. Under the GSA rubber disposal program, 42,500 tons are sold quarterly as follows:

    * 6,000 tons a month to commercial purchasers.

    * 24,500 tons a month to defense contractors who are obligated to buy rubber valued at 50% of the amount of their contract with DOD.

2. For the quarter beginning October 1, 35,000 tons have already been sold and the entire commercial allotment is gone.

3. At State's request, stockpile sales were halted on October 11 for the rest of this month.

    * GSA believes that resumption of sales in November will easily permit them to dispose of the remaining 7,500 tons of the quarterly allotment by the end of the quarter.

    * GSA would like to consider making limited sales during October to those defense contractors whose contracts (and, correspondingly, their obligation to buy stockpile rubber) expire in October.

4. State wants to get some mileage out of GSA's sales curtailment. They propose that GSA issue a press release stating that sales have been suspended and a review of the whole rubber sales program undertaken as a result of the President's discussions with the Malaysian Deputy Prime Minister (copy of their suggested release is attached).

    I strongly recommend against a release of this kind.

5. I have attached a release which I believe GSA will issue. I recommend its issuance prior to the President's departure.

RECEIVED
JOE CALIFANO, JR.

1966 OCT 12 AM 8 47

STATE DEPARTMENT PROPOSAL

GSA NEWS RELEASE

The General Services Administration today announced the sales of natural rubber from the national stockpile for the period October 3 through October 10, 1966:

Commercial Sales	6,000 Long Tons
Government-use Sales	29,367 Long Tons
Total Sales	35,367 Long Tons

Although the programmed quantity for both commercial and Government use during the fourth quarter is 42,500 long tons, further sales are being suspended as of October 11 pending a review of the present sales program. This review is being undertaken pursuant to the discussions on this subject October 6 between Deputy Prime Minister Tun Abdul Razak of Malaysia and the President.

Getzin says this discussed with Califano by Rostow and agreed to.

gold/PRO

EXECUTIVE

ND 4-3
CM/Rubber
FG 11-1
FG 240
PQ 1

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

October 10, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO

FROM : John E. Robson John Robson

SUBJECT: Rubber

1. GSA has an arrangement with rubber consumers and importers under which it sells no more than 42,500 tons of rubber quarterly.

    * No more than 6,000 tons per month are sold to any commercial purchaser.

    * The remaining 24,500 tons are sold to Defense contractors who are obliged to buy from stockpile rubber valued at 50% of the amount of their contract with DOD. The obligation to purchase continues during the term of their contract with DOD.

2. There has been, apparently, a real run on the rubber stockpile. The 6,000 tons available for commercial purpose were sold last monday. Through today (including a 6,000-ton purchase made today), 35,000 of the 42,500 quarterly allotment has been sold. Jack Harlan called this afternoon to advise me where they were on the rubber situation.

3. I met with the GSA people. We have developed the following plan:

    * As a gesture to the international considerations, no more sales will be made this month.

    * This deferral will not, in GSA's opinion, jeopardize the disposal of the entire quarterly allotment by the end of this quarter.

    * State has been advised of the above.

4. When Tony Soloman gets back, I suggest that you, he, and GSA get together to see whether any change in procedures are required for the next and following quarters.

RECEIVED
JOE CALIFANO, JR.

1966 OCT 9 PM 7 00

BB

EXECUTIVE (2)
ND 4-3
FG 11-6
PR 8-1/B *

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF EMERGENCY PLANNING

WASHINGTON, D. C. 20504

September 29, 1966

OFFICE OF THE DIRECTOR

MEMORANDUM FOR HONORABLE MARVIN WATSON

As you will remember, I have been trying for some time to have a chance to discuss basic stockpile problems with the President. I am under the impression that he is moving rapidly towards decisions which are very critical in the operation of OEP, and I would appreciate the opportunity to visit with him about them as soon as possible.

Farris Bryant
Director

C

W

Sept. 30 - 10:50 a.m.

Mr. President:

Will you see Governor Bryant? Farris

Yes ✓ No____

Marvin

4:45

Copy to Mrs Territo

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... TSON
1966 SEP 30 AM 10 50

gah/BW

(2)

EXECUTIVE
ND 4-3
CM/Copper
FG 11-1

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

September 27, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO, JR.

FROM : John E. Robson JER

SUBJECT: Copper Stockpile Releases

We do not have a clear signal on the direction to take on the question of releasing copper from the stockpile in order to absorb some or all of the present defense set-asides. The following are possible alternatives:

1. Do nothing until after November;

2. Start developing a specific program with Commerce, Defense, GSA and the industry, but take no action on a release until after November;

3. Do # 2 except defer going to the industry until after November;

4. Do # 2, making the release as soon as the program is set, whether before or after November.

Your pleasure?

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JOE CALIFANO, JR.

1966 SEP 27 PM 6 44

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CENTRAL FILES

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D. C. 20504

OFFICE OF THE DIRECTOR

September 26, 1966

MEMORANDUM FOR HONORABLE JOSEPH CALIFANO

Subject: Dr. Carl Kaysen -- Collaboration with National Academy of Sciences Ad Hoc Committee on the Stockpile

Dr. Carl Kaysen has responded to our invitation to collaborate with the Committee of the National Academy of Sciences now studying stockpile discounts resulting from production interruption, that he is not available now nor in the near future. He suggests a systematic study of stockpile objectives which, as you know, we have already decided upon.

Farris Bryant
Director

RECEIVED
JOE CALIFANO, JR.

1966 SEP 27 PM 12 48

September 1, 1966

Stockpile

FOR Gov. Bryant

FROM Joe Califano

This is the note I mentioned to you.

EXECUTIVE
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FG 2-3
FG 11-3

W-5

27

THE WHITE HOUSE
WASHINGTON

11:00 am., Saturday
August 27, 1966

FOR THE PRESIDENT

FROM Joe Califano JAC

K

I think we should add Carl Kaysen to the Ad Hoc Committee on the Stockpile. Kaysen has been advising GSA for the last several months and is a well-versed and brilliant economist. He was formerly on the White House Staff.

Orig to Mrs Ferrito

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

August 23, 1966

MEMORANDUM FOR JOE CALIFANO

Attached please find a roster of the National Academy of Sciences Ad Hoc Committee to review the discounting applied to material supplies because of exposure to sabotage or other enemy action.

The Committee was selected by the Academy so that its complete objectivity could be insured.

Farris Bryant
Director

Enclosure

RECEIVED
JOE CALIFANO, JR.

1966 AUG 23 PM 3 17

National Academy of Sciences Ad Hoc Committee

Dr. Charles Reed
Vice President for Metals and Materials, General Electric
Chairman

Mr. Clay Bedford
President, Kaiser Construction Company

Dr. Carl Prutton
Vice President, Food Machinery Corporation

Mr. Lewis Vincent
Vice President for Industrial Insurance
Continental Insurance Company

Mr. Gilbert Clee
Senior Partner, McKinsey and Company

Mr. Walter Finlay
Chairman, Materials Advisory Board

EXECUTIVE
C M/Copper
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ND 4-3

(7)

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

September 8, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO, JR.

FROM : John E. Robson & James S. Duesenberry

SUBJECT: Copper

1. Anaconda, Phelps-Dodge and Kennecott are apparently not going to follow the copper price increase of Copper Range and Inspiration.

    - Anaconda said they did not intend to increase prices now and would talk to us before making any moves in the future

    - Phelps-Dodge said it had no present intention of increasing prices. Previously they refused to promise to talk to us before a price increase and they reaffirmed that position

    - Kennecott was a little less definite, indicating they had yet not made a final decision against an increase. However, they will definitely come to us before any movement.

2. The Chairman of American Smelting and Refining, the fourth largest producer, is away until Monday and we will talk to him then. Meanwhile we have talked to one ASR officer who indicates no move will be made without first talking to us.

3. Copper Range and Inspiration are small factors in the domestic primary copper production picture (3.5% aggregate). If the big producers hold the impact of their increase will not be significant, especially since we already have a multi-price situation (i.e., 36¢, Canada 42¢, Peru, dealer's price).

4. At the meeting held this afternoon (Messrs. Udall, Duesenberry, Trowbridge, Ignatius, Douglas and Robson), it was determined:

    - if the major producers are not going to move, a statement should be issued commending them for their restraint and criticizing Copper Range and Inspiration. From a timing standpoint this would probably be released late tomorrow or Monday immediately after we have settled with American Smelting & Refining.

    - that the levers available to roll back Copper Range are very limited. Aside from using FTC or Internal Revenue Service, most of the available levers would affect the entire industry which we don't wish to do if the major producers cooperate (e.g., total export prohibition, allocation of

RECEIVED

Filed by Califano's Office 1/5/68

9/7 EV For meeting [illegible] (9)

lw

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

EXECUTIVE
CM/Copper
FG11-1
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FG155
BE5-2

September 7, 1966

MEMORANDUM FOR MR. JOSEPH A. CALIFANO, JR.

FROM : John E. Robson JER

SUBJECT: Copper

1. As you know, Copper Range raised its price to 38¢ today. It was followed by Inspiration Copper. Neither are significant factors in the domestic production picture.

2. According to Sandy Trowbridge, Anaconda today confirmed to Commerce that it had no present intention of following the increase.

3. Commerce and CEA are meeting tomorrow with representatives of the four major producers (Anaconda, Phelps-Dodge, Kennecott, and American Smelting and Refining) to discuss:

   - the possibility of lifting set-asides and in meeting defense orders directly from the stockpile;

   - holding the present price line (CEA will do this with each company separately).

4. CEA favors no overt action until we see how the wind blows with the large producers. It is my judgment that some statement should be issued no later than tomorrow if we are to have any hope of holding the other small producers. (It could simply be a strong indication of concern and a call for industrial statesmanship by those who have not yet moved). It may be that the little guys just aren't worth worrying about.

5. We are investigating possible handles on Copper Range, including:

   - a Robinson-Patman exposure (Copper Range has evidently been getting some kind of price differential, theoretically based on the higher silver content of its copper);

Filed by Califano's Office 1/5/68

EXECUTIVE
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FG240

(2)

GENERAL SERVICES ADMINISTRATION
WASHINGTON 20405

September 1, 1966

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: Director, Bureau of the Budget
Director, Office of Emergency Planning

SUBJECT : Disposal of Stockpile Materials in Fiscal Year 1967

Disposals of stockpile excesses through August 31 aggregate $90.6 million. At this rate 1967 disposal and cash receipts from stockpile excesses currently available and authorized for disposal will approximate 1/2 to 3/4 billion dollars, about the maximum quantity of available excesses which may be marketed under applicable statutory limitations and existing economic conditions. This level, of course, falls far short of the $1 billion goal.

We are pressing forward with efforts to maximize disposal of available excesses in compliance with applicable statutory requirements to do so "with due regard to the * * * protection of producers, processors and consumers against avoidable disruption of their usual markets."

As you know, with the advice and assistance of GSA's Advisory Panel on Economic and Marketing Research, we have developed a tentative disposal program to produce $1 billion in receipts in 1967 from stockpile sales. This program has been discussed on several occasions during meetings of the Ad Hoc Committee.

Proposed disposals of additional <u>copper</u>, <u>nickel</u>, <u>molybdenum</u>, and <u>platinum</u>, not presently available for disposal, account for a total of $428.5 million of our tentative program. It is apparent, therefore, that availability of these materials for disposal is crucial to obtaining a $1 billion income in fiscal 1967. Our tentative plan contemplates disposal of total inventories of copper and nickel, requiring a decision either that (1) the common defense does not require that they be stockpiled, or (2) they be released from the stockpile under section 5 of the Strategic and Critical Materials Stock Piling Act, 53 Stat. 811, as amended, (50 U.S.C. 98-98h). Our tentative plan for disposal of molybdenum and platinum involves only reductions in stockpile objectives, with substantial quantities remaining in inventory. Details follow:

Orig

Nothing else sent to
Central Files as of 1/20/67
Bill

RECEIVED
JOE CALIFANO, JR.

1966 AUG 1 PM 5 44

Copper. Present stockpile objective: 775,000 tons; inventory holdings: 409,088 tons; tentative plan contemplates disposal of total inventory holdings producing revenues approximating $295 million.

Nickel. Present stockpile objective: 100 million pounds; present inventory: 128,746,406 pounds, of which 4,256,406 pounds are presently available for disposal and a bill which would authorize disposal of the remaining excess of 24.5 million pounds was submitted to the Congress on August 8, 1966; tentative plan contemplates disposal of the entire remaining 100 million pounds of nickel producing revenue of $74 million.

Molybdenum. Present stockpile objective: 55 million pounds; inventory holdings: 57,499,532 pounds, of which 2,499,532 pounds are available for disposal; tentative plan contemplates disposal of an additional 25 million pounds producing revenue of $40.250 million; remaining inventory balance: 30 million pounds.

Platinum. Present stockpile objective: 450,000 troy ounces; none is available for disposal; tentative plan contemplates disposal of 200,000 troy ounces producing income of $19.2 million; remaining inventory holdings: 250,000 troy ounces.

While we understand that OEP is now reviewing both stockpile objectives for these four materials as well as existing stockpile criteria, time is now becoming of critical importance.

Decisions as to the availability of these materials must be finalized not later than November 1 to allow adequate time for industry consultation, preparation of disposal plans, and preparation of needed legislation, all in time for its submission for consideration at the beginning of the next session of the Congress. Passage by the first of April of any such legislation that we may be authorized to seek is probably the best we can hope for. Even assuming that all of this can be successfully accomplished, and that sales commitments can be entered into before the end of the fiscal year, it is most unlikely that total proceeds from such disposals can be collected by the end of the year.

In addition, changing market conditions also may prevent actual disposals in the quantities planned within the short time span available. For example, developments in the copper market which have taken place since April indicate that the supply-demand imbalance, which has existed for more than two years, is now adjusting. Copper prices in foreign markets and in the New York commodity exchange have dropped 30 cents since mid-July, and the downward trend is continuing. These circumstances adversely impact the basis for a Presidential release of additional stockpile copper in the interest of common defense.

Obtaining legislative authorization for disposal of excesses, and carrying out such disposals as may be authorized is an extremely difficult task under the most favorable circumstances. In those instances where total inventories are to be disposed of prospects for enactment of authorizing legislation are not good, recognizing that the view already is held in some Congressional quarters and among some of the industries affected that stockpile holdings are inadequate.

If OEP utlimately decides that the needs of the common defense will not permit disposal of the indicated quantities of these four materials, no sound basis exists to anticipate sales proceeds approximating $1 billion in fiscal 1967.

Lawson B. Knott, Jr.
Administrator

JMT/

EXECUTIVE (2)

PQ1

ND4-3

FG11-6

July 18, 1966

FOR Jim Duesenberry, Paul Ignatius, Joe Moody, Tony Solomon, John Douglas, Sandy Trowbridge, Gov Bryant

FROM Joe Califano

For discussion along with the earlier paper on the FY 1967 Disposal Program at our Tuesday, July 19, meeting.

The copper question, on which papers were distributed July 11th, will also be discussed at the Tuesday meeting.

Attachment

Nothing else sent to Central Files as of 4/3/67
LB

EXECUTIVE
CM/Copper
FE 11-3
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FE 153
FE 11-6
FE 145-8

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

GARDNER ACKLEY, CHAIRMAN
JAMES S. DUESENBERRY
ARTHUR M. OKUN

July 12, 1966

MEMORANDUM FOR MR. CALIFANO

Subject: Copper: U. S. Supply and Demand Outlook

1. A staff group from Commerce, Bureau of Mines, OEP, and CEA has made estimates of copper supplies and demand for the next five years. Another set of estimates was made by an outside consultant. In the earlier stages of the exercise OEP, Commerce, and Mines worked independently and arrived at conclusions which were in general agreement. They were also, for the most part, in agreement with Netschert Associates, the outside consultant.

2. Domestic production will not be adequate to meet U. S. requirements during the next five years.

   a. The 1966 stockpile releases will about cover requirements for 1966 and 1967 (but see below on inventory accumulation) even if we have no net imports in 1967.

   b. After 1967, we will require 250-300 thousand tons per year from sources other than current domestic production.

   c. The possible sources are:

      (1) stockpile releases -- a maximum of 400,000 tons,

      (2) imports whose availability will depend on foreign developments and our ability to import under special arrangements, such as the one now operating with Chile,

      (3) additional output from marginal mines in the U. S.

3. It was the opinion of Netschert Associates that we could reasonably expect to obtain 135 thousand tons of net imports in 1967 and slowly increasing amounts thereafter until 1970 with an easy foreign supply situation thereafter.

Filed by Califano's Office 1/5/68

The President's wishes relayed to Califano
by telephone from the LBJ Ranch
by ~~Jake Jacobsen~~ Christian

July 9, 1966
9:15 am

EF/R

EEB168
OO WTE10
DE WTE 1166

RECEIVED WASHINGTON COMMCEN:
6:36 PM Friday, 8 July 1966

RECEIVED LBJ RANCH COMMCEN :
8:15 PM Friday, 8 July 1966

EXECUTIVE (6)
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BE5-4
FG11-3
PO2
FG240

Sounds good get best minds on it.

FROM: JOE CALIFANO
TO : THE PRESIDENT
CITE: WH60322

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

7:30 P.M. FRIDAY
JULY 8, 1966

FOR THE PRESIDENT
FROM JOE CALIFANO

I JUST RECEIVED THE MEMORANDUM QUOTED BELOW ON MOLYBDENUM PRICES FROM THE COUNCIL OF ECONOMIC ADVISERS. THEY BELIEVE THAT THIS MAY BE A CLEARLY UNWARRANTED PRICE INCREASE WHERE WE HAVE THE ABILITY TO ROLL BACK THE PRICE. IF WE CAN ROLL BACK THE INCREASE, IT MAY BE DESIRABLE TO DO SO TO REAFFIRM OUR SUPPORT FOR THE GUIDELINES. HOWEVER, A SUBSTANTIAL AMOUNT OF ADDITIONAL ECONOMIC AND LEGAL STAFFWORK HAS TO BE DONE BEFORE WE WILL BE IN A POSITION TO MAKE RECOMMENDATIONS TO YOU.

I HAVE TALKED TO DAVE GINSBURG AND HE WILL ASSEMBLE ACKLEY, DUESENBERRY, JOHN DOUGLAS, AND JOE MOODY TOMORROW TO REVIEW THE SITUATION. DURING THIS EVENING, THE NECESSARY ECONOMIC AND LEGAL STAFFWORK WILL BE DONE. GINSBURG WILL TALK TO ME BY TELEPHONE TOMORROW AND WE WILL SEND YOU A CABLE WITH OUR RECOMMENDATIONS IN IT.

THE TEXT OF THE MEMORANDUM IS AS FOLLOWS:

QUOTE SUBJECT: MOLYBDENUM PRICES

1. CLIMAX MOLYBDENUM--A DIVISION OF AMAX INC.--HAS ISSUED A PRESS RELEASE ANNOUNCING PRICE INCREASES FOR MOLYBDENUM PRODUCTS.

THE COMPANY SAYS THE INCREASES AVERAGE 5 PERCENT, BUT FIGURES GIVEN US BY COMMERCE RUN TO ABOUT 6 PERCENT.

CLIMAX PRODUCES ABOUT 65 PERCENT OF U.S. OUTPUT. MOLYBDENUM CORPORATION IS NEXT LARGEST, BUT FAR BEHIND CLIMAX.

2. AMAX HAS SENSATIONAL PROFITS

-- A 17 PERCENT RETURN ON EQUITY IN 1965, AND
-- A 12.7 PERCENT RETURN ON SALES.

THEIR PRESS RELEASE CITES THE FACT THAT THEY ARE INVESTING $25 MILLION PER YEAR TO EXPAND OUTPUT, BUT THIS

THEIR PRESS RELEASE CITES THE FACT THAT THEY ARE INVESTING $25 MILLION PER YEAR TO EXPAND OUTPUT, BUT THIS IS ONLY 40 PERCENT OF 1965 PROFITS.

THEY ALSO CITE INCREASED COSTS, BUT THAT'S NOT MUCH OF AN ARGUMENT IN VIEW OF THEIR PROFITS.

MOLYBDENUM PRICES ALREADY HAVE INCREASED OVER 20 PERCENT SINCE 1961.

3. THIS LOOKS LIKE A GOOD SITUATION FOR A CONFRONTATION: OUR CASE IS STRONG AND WE HAVE SOME LEVERS.

WE MAY BE ABLE TO USE THE STOCKPILE.

EXPORT CONTROLS CAN BE USED AND THERE IS A CASE FOR USING THEM.

4. GSA HAS 14 MILLION POUNDS AVAILABLE FOR SALE (A LARGE PART OF IT ALREADY COMMITTED UNDER CONTRACTS TO CLIMAX AND MOLYBDENUM CORPORATION).

THESE CONTRACTS MAY HAVE TO BE MODIFIED IF CLIMAX IS TO RESELL AT A PRICE HIGHER THAN THAT RULING AT THE TIME OF THE CONTRACT, BUT GSA IS NOT SURE OF THE LEGAL POSITION YET.

CLIMAX PROBABLY WOULD NOT BE HURT MUCH IF THEY HAD TO SELL AT TWO DIFFERENT PRICES. SUPPLIES HAVE BEEN ALLOCATED FOR SOMETIME, AND A GRAY MARKET HAS BEEN IN OPERATION WITH PRICES ABOVE THE PRODUCER'S PRICE.

GSA MIGHT ALSO BE ABLE TO CANCEL THE CONTRACTS AND SELL DIRECTLY TO USERS. HOWEVER, MOST USERS HAVE TO RELY ON THE TWO BIG PRODUCERS FOR PROCESSING.

5. THE THREAT OF EXPORT CONTROLS WOULD PROBABLY HURT A LOT MORE THAN ANYTHING WE CAN DO THROUGH STOCKPILES.

FOREIGN PRICES ARE HIGH, SO EXPORT CONTROLS WOULD BE COSTLY TO CLIMAX.

THERE WAS A LOT OF AGITATION FOR CONTROLS UNTIL ANNOUNCEMENT OF THE STOCKPILE RELEASE.

6. WE SHOULD GET IN TOUCH WITH MOLYBDENUM CORPORATION AND GET THEM TO HOLD THEIR PRICE, IF WE CAN.

7. THEN WE SHOULD CALL IN CLIMAX AND WORK ON THEM--THREATENING, IF NECESSARY, TO IMPOSE EXPORT CONTROLS. UNQUOTE

SIGNED

JAMES S. DUESENBERRY

DTG: 090036Z JULY 1966

EXECUTIVE

BE5-2
FG11-3
ND4-3
FG240

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 18, 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Weekly Price Report

A. Price Review

1. Wholesale prices of wheat and soybeans advanced sharply this week.

- The low crop estimate and continued poor weather set off a wave of speculative activity in wheat.
- There were further creeping increases in retail prices of several brands of flour and bread.
- There was little net movement in other farm and food prices.

2. In the metals area

- Copper prices are up again, with copper scrap rising 2 cents, and higher prices announced for July 1 on some kinds of copper wire.
- Price increases of 5-12% on various kinds of electrical connectors are expected in the next few weeks.
- Standard Forgings raised railroad and industrial axle prices 2.2%.
- Among minor metals, mercury continued to decline while palladium rose.

3. Other price changes include price increases for

-- several chemical products,

-- borax, and

-- cement (in Los Angeles).

- Dupont reduced dacron filament prices.
- Softwood lumber and plywood continue to decline.
- There has been a welcome drop in the fantastic prices for quinine and quinidine.

Orig sent

Nothing else sent to
Central Files as of 7/27/66

gaty Bru

EXECUTIVE

ND 4-3
FG 135

①

June 17, 1966

FOR Gov. Bryant
Joe Moody

FROM Joe Califano

The attached opinion of John Douglas is forwarded for your information.

June 15, 1966

MEMORANDUM FOR JOSEPH A. CALIFANO, JR.

From: John W. Douglas

Re: State Purchases From National Stockpile

We see no legal impediment -- from the point of view of federal law -- to a requirement by state agencies that contractors purchase material from the national stockpile where available. Of course, there may be problems arising under individual state laws; those questions would have to be resolved by state authorities. Similarly, we express no opinion on the foreign policy implications or on the effectiveness of such a regulation.

June 15, 1966

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1966 JUN 15 PM 7 47

JOE CALIFANO, JR.
RECEIVED

54

EXECUTIVE

ND 4-3
CM/Copper
FG 11-6

ew/JF

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

JUN 9 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Copper

In connection with the stockpiling responsibilities of the Office of Emergency Planning I have had prepared a supply-demand analysis for copper from 1961 and a forecast through 1970.

In brief, this study indicates:

- o A continuing upward trend in the consumption of copper in the U.S., even if military needs are not increased.
- o An increase in the consumption of copper in the rest of the Free World, although adequate data on this are not presently available.
- o Increases in U.S. mine production of copper, but generally at lower rates than domestic consumption.
- o A substantial increase in the production of copper in other Free World countries.
- o Despite improvements in U.S. copper mine capacity, consumption demands for copper will continue to exceed new supply from mine production, salvage, and imports until late in 1968.
- o Improvements in the Free World supply should enable the United States to approach an approximate balance between supply of and demand for copper in 1969 and 1970. This assumes that U.S. consumers will obtain an increased amount of copper from foreign sources and pay higher prices for approximately one-third of their supplies if the U.S. price remains at 36¢.

Filed by Califano's Office 1/5/68

- There are indications that copper consumer and dealer inventories in the U.S. are growing and that there will be an inventory carryover from calendar year 1966 into calendar year 1967 of approximately 170,000 short tons. Releases from the stockpile are a contributing factor. Some of the industry stocks were purchased at world prices. This inventory carryover is a statistical estimate for total national supply and consumption, and does not mean that all consumer inventories are in balance.

The estimates of U.S. requirements for copper were developed by the Office of Emergency Planning. They are based on relationships between selected components of the Gross National Product and the consumption of copper brass mill, wire mill, and foundry products. The GNP estimates assume continuation of military expenditures at currently stated levels through 1967, but declining thereafter. A significant increase in such expenditures could result in more severe deficits in 1967 and 1968 or in a delay in reaching the approximate balance now expected in 1969 and 1970.

It should be emphasized that the contemplated increase in the availability of copper from foreign sources will depend upon the willingness of U.S. copper users to pay the higher prices prevailing in world copper markets. There has been some indication that U.S. copper users are holding back on making such increased foreign purchases in the hope that they will be able to acquire stockpile copper at the considerably lower price of 36¢ a pound. To this extent, the release of stockpile copper has discouraged the importation into the United States of a greater share of Free World copper production, and has thus contributed to the continued tightness in the domestic copper market.

The OEP staff has had discussions with representatives of other interested agencies on this subject. Copies of the detailed analysis on which the foregoing conclusions are based have been made available to the Departments of Commerce, the Interior, and State, and to staff of the Council of Economic Advisers for their information and use in connection with their interests in this matter.

Farris Bryant
Director

EXECUTIVE

ND 4-3

CM/Copper

FG155

FG240

(9)

May 31, 1966

United Steelworkers of America
Local No. 3885
A.F.L. - C.I.O.
Reading, Pennsylvania

Attention: Mr. Wellington Manning, President, Local 3885
Mr. Edward Steffy, Committee Chairman
Mr. Richard Schearer, Committeeman
Mr. Richard Bossler, Committeeman

Gentlemen:

This is in response to your letter of April 29, 1966, concerning the application of Reading Tube Corporation to purchase refined copper being released from national stockpile inventories.

The copper being released from the stockpile will be sold by the producers of domestic refined copper to consumers in accordance with instructions furnished by the Business and Defense Services Administration (BDSA) of the Department of Commerce. On May 19, BDSA mailed a letter to Reading Tube Corporation which advised the firm of the amount of refined copper which it is authorized to purchase. Reading Tube received a prorated share of the copper available based upon current requirements balanced against current inventories.

There was a delay in processing the company's application as it was necessary for BDSA officials to consult with officials of Reading Tube Corporation to reach a mutually satisfactory agreement on certain inventory information contained in the application.

It is expected that this release of stockpile copper will enable the company to maintain full employment and meet customers' delivery requirements.

If you have any additional question or problems, I recommend that you get in touch with Mr. Joseph Moody, the Acting Administrator of the General Services Administration.

Sincerely yours,

Filed by Califano's Office

Joseph A. Califano, Jr.
Special Assistant to the President

U.S. DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20230

Put in final

MAY 26 1966

MEMORANDUM FOR:

Honorable Joseph A. Califano, Jr.
Special Assistant to the President
The White House

SUBJECT: Draft Reply to United Steelworkers of America, on behalf of Reading Tube Corporation

In accordance with your memorandum of May 3, addressed to Secretary Connor, we are attaching a suggested reply to the April 29 letter of the United Steelworkers of America on behalf of the application of Reading Tube Corporation to purchase copper from the national stockpile inventories.

Larry

Lawrence C. McQuade
Assistant to the Secretary

Attachments

RECEIVED
JOE CALIFANO, JR.
1966 MAY 27 AM 11 51

D R A F T

United Steelworkers of America
Local No. 3885
A.F.L. - C.I.O.
Reading, Pennsylvania

Attention: Mr. Wellington Manning, President, Local 3885
Mr. Edward Steffy, Committee Chairman
Mr. Richard Schearer, Committeeman
Mr. Richard Bossler, Committeeman

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Sincerely yours,

Joseph A. Califano, Jr.
Special Assistant to the President

UNITED STATES DEPARTMENT OF
COMMERCE
John T. Connor, Secretary Washington, D.C.

Business and Defense
Services Administration

BD 66-28

FOR IMMEDIATE RELEASE
APRIL 22, 1966

DEPARTMENT OF COMMERCE ANNOUNCES
DISTRIBUTION PLANS FOR STOCKPILE COPPER

The U.S. Department of Commerce today announced procedures for the distribution of 200,000 short tons of refined copper from the national stockpile as authorized by President Johnson on March 21.

Approximately 125,000 short tons of electrolytic cathodes and 75,000 short tons of wire bars are being released from the stockpile. This copper will be sold for domestic consumption only and may not be exported.

Allocation to producers will be administered by the Department's Business and Defense Services Administration, giving priority to defense requirements.

The copper will be sold at a base price of 36 cents a pound by the General Services Administration. Producers of primary domestic refined copper will redistribute in minimum quantities of 20,000 pounds to consumers on the basis of instructions from BDSA.

Consumers of copper raw materials may file application form BDSAF-711B with the Copper Division, BDSA, for an allocation from this release. BDSA will determine the allocation for each applicant, giving priority to defense requirements, the alleviation of hardship, and the needs of small business.

In accordance with the provisions of Direction 2 to Order M-11A of the Defense Materials System, producers of copper controlled materials will continue to place defense-rated orders on producers of domestic primary refined copper.

To expedite defense orders on which deliveries are delayed due to the non-availability of copper, contractors with such defense orders are instructed to file form BDSAF-138, Request for Priorities Assistance, with the appropriate office of the Department of Defense in accordance with existing instructions and procedures. In completing Section 11 of this form, the applicant should limit his request to copper controlled materials scheduled to be delivered during the second quarter, 1966. Upon approval by the Commerce Department's Business and Defense Services Administration, refined copper for these specific defense orders will be allocated immediately to producers of copper controlled materials who are identified on the form BDSAF-138 as suppliers.

Two allocations from current release of 200,000 tons will be made. Applications from consumers to meet requirements for May-June, 1966, are due to the Copper Division, BDSA, by April 28, 1966. Copies of the application form are being mailed to all firms which qualified for an allocation of refined copper released in November 1965, from the national stockpile. Copies of the application form also are being mailed to other qualified firms which have applied to the Copper Division, BDSA. Application forms for new applicants are available upon request at all Commerce Field Offices or at the Copper Division, BDSA, Department of Commerce, Washington, D.C. Applications for allocations for the third quarter, 1966 will be mailed out to applicants and returned in June, 1966.

USCOMM-DC-33717

THE WHITE HOUSE
WASHINGTON

May 3, 1966

MEMO FOR Secretary Connor

FROM Joe Califano

Would you please have someone prepare a draft response for my signature.

Attachment

83678

Local No. 3885
UNITED STEELWORKERS of AMERICA
A. F. L. - C. I. O.
READING, PA.

OFFICE OF ADMINISTRATION
INTERNATIONAL AFFAIRS
1966 MAY AM 11 58

April 29, 1966

The Honorable Joseph C. Califano
Special Assistant to the President
THE WHITE HOUSE
Washington, D. C.

Dear Sir:

Our sincere thanks to you for all your efforts to acquire copper in our behalf. We have been advised by the Reading Tube Corporation that their formal application for stockpile release was filed with BDSA this week. May we ask that you do all within your power to see that our company gets their fair share of this release. Details of our needs was outlined to you in our letter of March 28, 1966.

Yours very truly,

UNITED STEELWORKERS OF AMERICA

Wellington Manning

Wellington Manning, President, Local 3885

Edward Steffy

Edward Steffy, Committee Chairman

Richard Schearer

Richard Schearer, Committeeman

Richard Bossler

Richard Bossler, Committeeman

RECEIVED
JOE CALIFANO, JR.

1966 APR 1 AM 8 39

EXECUTIVE

ND4-3

CM/Copper

FG 11-6

FG 115

(3)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D. C. 20504

May 23, 1966

OFFICE OF THE DIRECTOR

MEMORANDUM FOR THE PRESIDENT

Subject: Copper Disposal

We have 409,088 tons on hand, valued at $294,543,000, part of a stockpile objective of 775,000 tons.

The proposal is to dispose of all the copper.

There are two ways it can be done:

1. A determination can be made that no copper is necessary to be stockpiled for the national defense, and thereupon the Director of OEP, with the express approval of Congress, can order its disposal.

2. The President can determine that a release is required for the purpose of the common defense, and the copper may thereupon be disposed of without Congressional approval.

The first method poses a dilemma. A determination that no copper is needed for the national defense contradicts the spirit of the President's finding that the copper releases heretofore made were for the common defense. It would require a contradiction of my predecessor's finding and those made by the Secretaries of State, Treasury, Defense and Commerce, and the Chairman of CEA. The Attorney General's opinion of November 15, 1965, specified that "an essential legal requirement is that there be a sufficiently close relationship between the disposal of material and the common defense." Such action by the Director of OEP could be challenged as intellectually dishonest.

The alternative is for the President to pursue the course that has previously been followed in copper releases. The political problems inherent are obvious.

It is Secretary McNamara's position that an assurance to DoD of a 20% set-aside in the event of war obviates the necessity of a stockpile so far as DoD is concerned. 20% of anticipated U. S. production is enough to satisfy anticipated military needs.

Nothing else sent to
Central Files as of 12/28/66

It is my position that there are essential nonmilitary needs for copper in the support of military strength, the satisfaction of which would be endangered by elimination of the copper stockpile:

1. If by industrial sabotage or act of war copper refining facilities, now concentrated in New Jersey and the Connecticut Valley, are rendered inoperative, the lack of a stockpile in time of emergency might be catastrophic.

2. A 20% set-aside will be illusory unless there is an industrial base to mine, transport, refine and process the copper, with all that requires in the way of communications, foundries, tooling and a civilian economy to support the required industrial manpower.

Farris Bryant
Director

Mr Califano

Let me hear

from you

before you deliver

to Pr

JB

RECEIVED
JOE CALIFANO, JR.

1966 MAY 24 PM 7 02

May 27, 1966

FOR Secretary McNamara

FROM Joe Califano

Attached is a memorandum from Governor Bryant to the President.

When you have had an opportunity to read it, will you please give me a call with your views?

Attachment

MEMORANDUM

LE/ND 4-3
ND4-3
CM/Aluminum
FG 412

THE WHITE HOUSE

WASHINGTON

Thursday, May 19, 1966
10:45 a.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Henry H. Wilson, Jr. HHW

You should know that the House late yesterday passed the aluminum stockpile bill and the other five stockpile bills which were reported last week by the full Armed Services Committee.

Philip J.

Philbin is very proud of his accomplishment and both he and the Speaker called here last night to tell us.

I think you may wish to call both of them this morning.

The call to the Speaker should, of course, be primarily about the Participation Sales bill, though you may have already called him.

If not, you should know that he went on the floor and spoke for the bill.

Before the day is out, we will have for you suggested letters to other leaders in this fight.

gaby

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING

ROUTING SLIP

TO	BLDG AND ROOM	INITIALS	DATE
1. Mr Califano			
2.			
3.			
4.			
5.			

- ☐ APPROVAL
- ☐ APPROPRIATE ACTION
- ☐ RECOMMENDATION
- ☐ RECOMMEND SIGNATURE
- ☐ PREPARE REPLY
- ☐ NOTE AND FILE
- ☐ NOTE AND RETURN
- ☐ INFORMATION

REMARKS:

FROM Gov. Bryant (NAME AND ORGANIZATION)	DATE 5/13/66
(BUILDING AND ROOM NUMBER)	PHONE

FORM OEP 27
NOVEMBER 1961

RECEIVED
JOE CALIFANO, JR.

1966 MAY 13 PM 7 21

EXECUTIVE
ND4-3

STOCKPILES WITH EXCESS GREATER THAN $25,000,000

Commodity	Objective	Excess	1966 Sales
Aluminum	$ 220,500,000	$ 605,129,000	$ 104,980,000
Lead	0	402,541,000	12,282,000
Tungsten	120,646,000	338,314,000	11,304,000
Zinc	0	370,493,000	51,786,000
Rubber	68,250,000	352,201,000	56,288,000
Tin	753,760,000	317,244,000	55,490,000
Nickel	76,096,400	52,813,600	165,881,000
Cobalt	69,300,000	99,456,800	-
Diamond, Industrial, Stones	187,838,000 (acq.)	99,012,900 (acq.)	-
Manganese Ore, Metall.	208,620,700	166,257,800	1,388,000
Manganese Ore, Metall., High Carbon	74,775,000	89,731,500	-
Chromite, Metall., High Carbon	17,030,000	85,744,700	-
Chromium, Ferro, L. C.	28,560,000	83,607,000	-
Quartz Crystals	7,559,500	51,802,800	94,000

STOCKPILES WITH EXCESS GREATER THAN $25,000,000 (continued)

Commodity	Objective	Excess	1966 Sales
Bauxite, Metall., Jamaica	$ 58,200,000	$ 44,917,400	$ -
Bauxite, Metall., Surinam	81,355,000	39,755,900	-
Diamond, Industrial, Crushing Bort	57,802,400	43,344,000 (includes on order)	-
Silicon Carbide	6,570,000	36,451,700	4,000
Aluminum Oxide, Fused, Crude	23,040,000	31,443,700	-
Vanadium	6,126,400	26,481,500	10,470,000 1/
Mica, Muscovite Splittings	26,640,000	27,199,700	-
Chromite, Metallurgical	71,685,700	25,974,600	1,968,000
Mica, Muscovite Block, Stained and Better	38,185,000	25,868,900	-
Columbium	1,688,800	21,010,000	1,117,000

1/ Surplus AEC Vanadium

5/12/66

STOCKPILES WITH OBJECTIVES GREATER THAN $25,000,000 AND EXCESS LESS THAN $25,000,000

Commodity	Objective	Excess	1966 Sales
Copper, Other	$ 458,554,300	-	$ 527,073,000
Magnesium	92,858,000	$ 14,510,800	2,317,000
Mercury	83,000,000	151,500 1/ 11,465,000 2/	7,244,000 3/
Platinum	44,325,000	-	30,300,000 4/
Molybdenum (all forms)	88,881,600	23,600,000	-
Titanium Sponge	51,948,700	23,457,600	994,000
Copper, Oxygen, Free High	56,557,400	(Deficit)	-
Chromite, Refractory, Stockpile Gr.	39,444,000	(Deficit) 6,300 (non-stockpile grade)	

1/ Surplus in National Stockpile.

2/ AEC surplus consigned to GSA for sale as surplus material.

3/ 1966 sales from surplus AEC mercury. None from National Stockpile.

4/ All surplus platinum to be sold in FY 1966.

5/12/66

EXECUTIVE

PG1
ND4-3
NR5
FG240
CM/mercury
Gardiner, Phillip M.

(6)

May 12, 1966

MEMO FOR Joe Moody

FROM Joe Califano

Would you please respond to the attached telegram to the President.

Attachment x.
Wire from Kollsman mineral and Chemical Co.