

Crisis Gives Old Battle New Turn

Is Aluminum Trust Peril to Defense?

By THOMAS L. STOKES

Aluminum, as an essential in airplane production, is a key to national defense. The building of a great air armada, as contemplated by President Roosevelt, depends heavily on a plentiful supply of this metal. Aluminum also is necessary for other adjuncts of the defense program—in the Army for field kitchens, pontoon bridges, ammunition carts, ammunition fuses, trucks and signal corps equipment; in the Navy for bulkheads, interior doors, galleys and other equipment.

A controversy has been brewing for weeks as to whether the aluminum capacity is sufficient—whether aluminum is a bottleneck which may slow down the program.

Only one source of aluminum ingots for the fabrication of military necessities exists in the United States—the Aluminum Company of America, a Mellon giant which has enjoyed a monopoly in the production of raw aluminum for 48 years.

TRUST SUIT PENDING

Early in March final arguments will be held in an anti-trust suit brought by the Government, winding up the longest trial ever held in the United States. The trial began June 1, 1938, and testimony was completed last Aug. 14.

In this suit the Government charges the company with violation of the anti-trust laws thru control of production and prices as part of an international cartel. Disolution of the company into small, independent units is sought.

The national-defense issue was injected into the closing hours of the trial when Walter L. Rice, Government attorney, charged that because of the company's allegedly monopolistic practices over a period of years there is insufficient aluminum capacity to carry out the airplane program envisaged by President Roosevelt. Company officials deny that the company will be unable to meet defense requirements.

IN DISAGREEMENT

Disagreement exists between the Justice Department and the Defense Commission. The latter—thru statements issued by Edward R. Stettinius Jr., in charge of the commission's Industrial Materials Division and formerly chairman of the board of United States Steel—has insisted that the Aluminum Co. will be able to meet the demands. From time to time the company has announced additions to its plant capacity.

The aluminum giant long has been an issue in Washington. In the middle '20s, when the late Andrew W. Mellon was Treasury Secretary and a power in the Republican Party, the late Sen. Tom Walsh (D., Mont.) conducted an inquiry into the aluminum empire. There were reports for a time that the Justice Department was about ready to act.

Harlan F. Stone, then Attorney General, was investigating the case when President Coolidge elevated him to the Supreme Court and nothing further came of the matter. Democrats protested in vain.

HARD-FOUGHT CASE

The case was revived by the present Administration. It is not only the longest but one of the hardest-fought anti-trust cases in history.

It is now a phase of the far-flung and intensive anti-trust campaign directed by Thurman W. Arnold, which in recent months has turned its attention toward a series of international cartels which control materials essential to defense.

As for the anti-trust case, it has produced 40,000 pages of testimony and 15,000 pages of exhibits. In general it revolves about the Government's contention that the Aluminum Company of America controls production and

prices all over the world thru a company created in Canada in 1928, Aluminum Limited, to which the parent company's 33 foreign subsidiaries were transferred, and thru the formation in 1931 of the Alliance Aluminum, an international cartel, which the Government says was dominated by the Aluminum Co. thru Aluminum Limited, tho the Aluminum Co. itself was not a member of the alliance.

CLAIM DISPUTED

The company says the Canadian company is independent, while the Government says that it is merely a device set up by the Aluminum Co. to evade the anti-trust laws. The Government cites a distribution of stock of Aluminum Limited to stockholders of the Aluminum Co., and it says 51 per cent of the stock of both companies was in the hands of Arthur V. Davis, chairman of Aluminum Co.'s board, Andrew W. Mellon and R. B. Mellon.

The Government submitted percentages of production alleged allotted within the alliance to Aluminum Limited, and to French, Swiss, German and British companies, and also evidence to prove how prices were fixed and maintained.

It also presented figures to show high profits by the Aluminum Co. In 1934, it said, these amounted to 104 per cent. In some years they were below this, in others above.

EVIDENCE PRODUCED

As part of its case, the Government produced evidence to show that the German company, when Germany started its rearmament program in 1934, protested that its production allotment was too low and threatened to withdraw from the Alliance, whereupon it was allowed to produce all it wanted for its own needs, but was required to buy a pound from the Alliance for every pound it exported. The German company became subsequently the biggest producer in the world, going ahead of the total production of

Aluminum Limited and finally passing the Aluminum Co. of America.

As for aluminum capacity for the national-defense program, Mr. Rice in cross-examining I. W. Wilson, vice president of the Aluminum Co., showed that production in 1939 was 327,000,000 pounds, the top in the company's history up to that time, and that it probably would be about 375,000,000 pounds in 1940 due to expansion of facilities at Alcoa, Tenn.

STICKS TO CONTENTION

The Justice Department attorney then brought out that to produce 50,000 planes of the Martin bomber type, which require 16,000 pounds of aluminum each, the aluminum production needed would be 800,000,000 pounds, or more than twice the annual production even if every bit of aluminum was diverted to this use and none went at all to the manifold industrial purposes for which aluminum is ordinarily used.

Mr. Wilson conceded the "arithmetic" of this, but insisted that all planes would not be of this size. He stuck to this contention there would be sufficient aluminum for the defense program, as well as for British needs.

In testifying last Aug. 12 to his confidence in the adequacy of aluminum production, Mr. Wilson fixed total capacity of his plants by July 1, 1942, at 545,000,000 pounds, with expansions planned in Washington state, at Alcoa and at Nantahala and Glennville, Tenn.

PLAN EXPANSION

Despite assurances of the Defense Commission that the Aluminum Company could meet the needs of the pro-

gram, that agency got busy to provide further expansion. Last Oct. 11 it announced an additional expansion by the company at Bonneville Dam. This, added to the 60,000,000 pounds of capacity which the Reynolds Metal Co. was planning at Sheffield, Ala., on an RFC loan, would bring total capacity to 695,000,000 pounds by July 1, 1942.

Subsequently, on Nov. 28, the commission announced that expansions under way would increase the yearly productive level to 690,000,000 pounds by July, 1941, and 825,000,000 pounds by July, 1942. It did not explain the computation of the latter figure, which is over twice the production of the company when Mr. Wilson testified that the supply would be sufficient.

SHORT ON INGOTS

Correspondence recently published here revealed that R. S. Reynolds, president of the Reynolds company, has been unable to get sufficient aluminum ingots from the Aluminum Company for his fabrication plants to fill national-defense orders.

Sen. O'Mahoney (D., Wyo.), chairman of the TNEC, to whom he appealed, declared in general of the Aluminum Company that "it has not been supplying enough virgin aluminum to independent manufacturers to be made into airplane propellers and other parts, for lack of which our airplane output has been apparently seriously retarded." The Senator made an investigation of the aluminum situation independently.

Latest indications are that ordinary uses of aluminum probably will have

to be curtailed in order to meet defense needs.

Next: Bausch & Lomb monopoly reveals how international cartels are set up.