

Natural building blocks for quality of life

March 17, 2005

Testimony submitted by
Jennifer Joy Wilson
President & CEO

Thank you for accepting public comments on the important programs the Interior and Environment Subcommittee oversees. Recognizing the tight budget constraints on all Federal programs this year, I am writing out of concern for the unprecedented cut of \$2 million from the U.S. Geological Survey (USGS) Mineral Information Team. The reports the Team compiles are heavily relied on by the Federal government and aggregates industry, among many others, and I urge the restoration of funding for this important program.

The National Stone, Sand & Gravel Association's member companies produce 90 percent of the crushed stone, and 70 percent of the sand and gravel consumed annually in the United States. Aggregates are the largest component of both asphalt and concrete. Nearly three billion metric tons of aggregate valued at approximately \$14.4 billion are estimated by the USGS to be sold in 2003. Without these important commodities, the nation's infrastructure could not be built or maintained, and the commerce and quality of life would be severely diminished. In 29 of the 50 states, crushed stone, sand and gravel are the principle non-fuel minerals produced, and in another 15 states, our product is the second most valuable non-fuel mineral produced. With over 11,000 sites nationwide and a workforce of 110,000 men and women, most Congressional Districts are home to multiple operations.

It has come to our attention that proposed budgetary reductions in the Administration's USGS FY 2006 budget would drastically affect the Minerals Information Team by eliminating data collection and analyses for 100 mineral commodities in 180 countries and eliminating collection of nationwide basic geological, geo-chemical, geophysical and mineral deposit data. Specifically, the USGS would cease collection of mineral data outside the United States. In this era of global markets, essentially closing our eyes to these important facts and figures is inadvisable. In 2004, according to the Minerals Information Team, domestic businesses imported 2/3rd or more of 36 minerals and 1/3rd or more of another 14 minerals to meet manufacturing requirements. These minerals are used in the following industries: military and national defense industries, aviation, medical, automotive, construction, steel, computer, and mining, among many more. Not knowing foreign countries' practices with regard to mineral production will cause great consternation to American manufacturers who use the minerals, banks who may be lending to companies based on the availability of those minerals, and analysts who review companies' business plans based on the public information produced by the Mineral Information Team.

The United States is the world's largest user of mineral commodities. Processed materials of mineral origin account for over \$418 billion in the U.S. economy in 2004 (an increase of 13 percent over 2003),

according to the USGS. The Minerals Resource Program (MRP), of which the Mineral Information Team is a component, is the sole provider of scientific information for objective resource assessments and unbiased research results on mineral potential, production, consumption and environmental effects. The USGS reports customer satisfaction rates of 86 percent for the reports issued by the MRP.

To complement coverage of mineral production, information is also collected, analyzed and disseminated on individual country mining, environmental, investment, and other laws that affect the minerals industry; trade with emphasis on the interactions with the United States; structure and ownership within the industries; types of deposits; labor force; official reserve data; and other pertinent information. The Departments of Interior, Defense, and State, the CIA, Federal Reserve, and private sector companies use this information. The Federal Reserve Board uses this data to calculate the indexes of industrial production, capacity, and capacity utilization, *which are among the most widely followed monthly indicators of the U.S. economy*. The Department of Defense uses the information to help manage the National Defense Stockpile.

In short, both the public and private sectors use the information in the reports issued by the Minerals Information Team to better understand supply, demand, and end uses of these materials. This data is essential for the effective use of our natural resources and for accurate forecasting. The information for a number of the reports is derived from proprietary information given by our member companies precisely because the government is a trusted third party. To state the obvious, this information is extremely important for both policy makers and the private sector and is a service only the government can supply.

Knowing 90 percent of aggregates are used within 50 miles of production, you may wonder how foreign mineral reports affect our industry. Let me explain. Aggregates compose 80 percent of concrete, with water and cement – the glue that holds everything together – making up the rest. 114.6 million tons of cement was consumed in the U.S. last year. Demand has outstripped domestic production by about 23 percent, resulting in the need to import about 26 million tons of cement to meet construction needs. The recent surge in economic activity in China and other Asian nations roiled the international commodity markets causing domestic shortages in commodities like steel and cement. Local contractors working on projects, which are bid on months ahead of time, saw their costs for steel and cement increase dramatically. While the data is incomplete, many projects were completed at a financial loss.

The foreign minerals reports produced by the Mineral Information Team helped calm the markets as it was learned how much steel and cement was being produced and where, changing the problem to a logistical one – how to get commodities here. The market has leveled out for now; however, without accurate reporting on foreign mineral production the next crisis may be worse as companies will not have reliable information to work with.

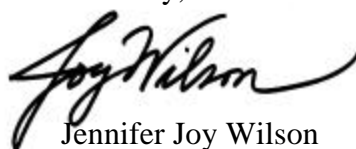
It is frustrating that information on minerals, which are vitally important to the security and economy of the United States, is regarded as dispensable. Other agencies within the Federal government, e.g. Department of Energy and the Department of Transportation, have realized how important collection of similar information is and have worked to promote its use by the Federal government and private sector interests.

The Energy Information Administration says this about itself: *We provide policy-independent data, forecasts, and analyses to promote sound policy making, efficient markets, and public understanding regarding energy and its interaction with the economy and the environment.* To put it into perspective, imagine if the Energy Information Administration decided to stop reporting on worldwide petroleum production but would continue monitoring domestic petroleum production all in the name of focusing its limited resources on the core Department of energy programs. Dr. Charles Groat, USGS Director, in response to a question by Congressman Jim Moran during a March 3 hearing of the House Interior and Environment Subcommittee, seemed to say that the Minerals Information Team cuts could be made because the minerals data reporting is not a core function of the USGS.

Instead of promoting the Minerals Information Team and the incredibly valuable information it provides, the USGS is moving towards dismembering the Team by eliminating a vital component. Congress needs to insert itself and remind the USGS of the value of this data collection, before the function is permanently lost.

For these reasons I urge you to reject the proposed cuts to the Mineral Information Team so it may continue to produce reports that are so vital to the economy and security of the nation. Please do not hesitate to contact me with any questions you may have.

Sincerely,

A handwritten signature in black ink, reading "Jennifer Joy Wilson". The signature is written in a cursive, flowing style with a large initial "J".

Jennifer Joy Wilson
President & CEO