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May 28, 2004

The Honorable Donald L. Evans, Secretary
The United States Department of Commerce
1401 Constitution Avenue, N.W.
Washington, DC 20230
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UNITED STATES
DEPARTMENT OF
COMMERCE

Dear Secretary Evans:

I am writing on behalf of United Brass Works Inc. to encourage your approval of the Petition for the Imposition of Monitoring and Controls With Respect to Exports From the United States of Copper Scrap and Copper-Alloy Scrap ("Petition") filed on April 7, 2004, by the Non-Ferrous Founders' Society (NFFS) and the Copper and Brass Fabricators Council, Inc. (CBFC).

United Brass Works Inc. is a member of the NFFS and a producer of copper-based castings. We have 125 employees working in our manufacturing facilities in North Carolina. We produce brass and bronze valves and we rely on copper scrap as a key raw material to produce these products. We have experienced first-hand the alarming increase in scrap prices and the damaging short supply of copper and copper-alloy scrap that have resulted from a corresponding increase in exports of these raw materials over the last five years.

As noted in the Petition, for the five-year period 1999-2003, exports of copper-based scrap increased by 437,199 metric tons (MT), or 138 percent, with almost all of this growth attributable to rising demand in China. During the same time period, U.S. copper-based scrap consumption declined by 471,636 MT as indicated by U.S. Geological Survey data. The short supply of copper scrap has caused ingotmakers to use a higher proportion of the more expensive materials, and to pass their increased costs on to foundries accordingly.

The increased demand for exports of copper-based scrap has had a dramatic impact on prices. Prices have increased both in absolute terms and in relation to cathode. For example, in 2001, the discount for Number 1 copper scrap was 2.95 cents per pound below the Comex cathode price. By 2003, this discount had dwindled to just 1.19 cents per pound. Thus it is estimated that the increase in exports and reduction in the supply of scrap available to the U.S. industry acted to push up the effective price for copper-based scrap by a minimum of 1.76 cents per pound. Given that the petitioner industries consumed more than 840,000 metric tons of copper-based scrap in 2003, it is estimated that the reduced scrap discounts due to lower supply of copper-based scrap resulted in a direct cost to the brass mill and foundry industries in excess of \$32 million. These costs are not



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fully recoverable, as substitute materials and imports place a ceiling on the price we can charge for our products.

United Brass Works Inc. has experienced the impact of the dramatic increase in copper raw material prices and risks of production outages and lost production created by the short supply of copper-based scrap. As indicated by the data in the Petition, these are not the normal cyclical fluctuations in copper-based scrap supply and price. *Indeed, contrary to the normal cycle, escalating prices and shortages of copper scrap were manifest even before the foundry industry began to recover from the recent downturn.*

Contrary to all the evidence, the Institute of Scrap Recycling Industries (ISRI) argues, that there is no shortage of copper scrap. What ISRI improperly (perhaps illegally) asks the Department to do is to count copper content of items still in use – items still within their normal and useful lifecycle - as available scrap and to define "shortage" as a total disappearance of scrap. That is clearly not the standard established by the statute.

Equally lacking in persuasiveness is ISRI's claim that export controls would raise domestic scrap prices. They offer no evidence to support this claim and in this instance would have the Department believe that ISRI would vociferously oppose an action that ISRI alleges would have the effect of raising the prices of the materials ISRI's members sell, while brass mills and foundries would fight strenuously to raise the prices of materials that they consume.

Our Petition establishes beyond a doubt that a shortage of copper scrap exists, that the shortage is directly related to increases in exports of copper scrap, that prices have risen dramatically, that the shortages and price increases have adversely affected the brass mill and copper foundry industries and that no other factor exceeds the impact on these industries that has occurred as a result of the short supply of copper scrap.

Thank you for your careful consideration of the Petition filed by NFFS and the CBFC, which we urge you to approve. We look forward to your decision in this matter.

Sincerely,

Michael A. Berkelhammer, President
United Brass Works Inc