

CARL LEVIN
MICHIGAN

United States Senate

WASHINGTON, DC 20510-2202

July 6, 2004

The Honorable Donald L. Evans
United States Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

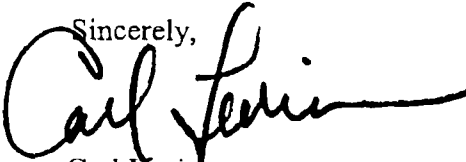
Dear Secretary Evans:

I am writing to urge your consideration of the recent petition for short supply export controls by the Copper and Brass Fabricators Council, Inc. and the Non-Ferrous Founders' Society. This petition seeks to alleviate the condition of the short domestic supply of copper by imposing an export limit of approximately 380,000 metric tons which is an average of export levels during the 1990's. The petitioners cite Section 3 (2)(C) of the Export Administration Act of 1979, which authorizes the Secretary of Commerce to restrict the export of goods where necessary to protect the domestic economy.

As you know, foreign consumers of copper scrap, such as China, are contributing to domestic shortages and high prices with their skyrocketing demand. The problem is exacerbated by the efforts of the Chinese government to subsidize their domestic consumers of scrap, thereby intensifying supply shortages. By imposing an export limit, as requested in the petition, the industry hopes to ensure reasonable prices for domestic copper scrap.

I have enclosed a copy of a letter from my constituent, Mr. George M. Dykhuizen, President of Extruded Metals, Inc., regarding hardships created by the short supply of copper and copper scrap in the domestic market. Companies like Extruded Metals rely heavily on copper scrap as the main input material of their business. High prices have caused them financial hardship by raising their production costs, and short supply has forced them to turn to more expensive alternative forms of scrap.

Thank you for your consideration.

Sincerely,

Carl Levin

CL/amp
Enclosure



Extruded Metals, Inc.

May 27, 2004

Senator Carl Levin
269 Russell Office Building
U.S. Senate
Washington, DC 20510-2202

Dear Mr. Levin

I am writing on behalf of Extruded Metals, Inc. to request your support for a 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 with the Department of Commerce on April 7, 2004, by the Copper and Brass Fabricators Council, Inc. ("CBFC") and the Non-Ferrous Founders' Society ("NFFS"). The Petition requests the imposition of short-supply export controls and monitoring with respect to exports of copper scrap and copper-alloy scrap from the United States under section 7(c) of the Export Administration Act of 1979. We are asking you to contact U.S. Department of Commerce Secretary Don Evans to encourage him to approve the Petition.

Extruded Metals, Inc. is a member of the CBFC and a producer of semi-fabricated copper products. We have 230 working in one manufacturing facility in the United States. Our employees here in Belding, Michigan proudly produce brass rod and shapes. 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 the brass mill industry to use a higher proportion of the more expensive virgin copper (cathode). In March 2004, for example, the industry was forced by the low supply of scrap to use more than twice as much cathode (expressed as a percentage of all metal inputs) as would have been used under the industry's preferred recipe.

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 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 brass mill industry consumed 842,182 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 industry of \$32 million. These costs are not fully recoverable, as substitute materials and imports place a ceiling on the price we can charge for our products.

Extruded 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 brass mill industry began to recover from the recent downturn.

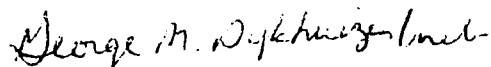
The Institute of Scrap Recycling Industries ("ISRI") has opposed the Petition. They argue, contrary to all evidence, that there is no shortage of copper scrap. What ISRI would illegally have the Department of Commerce do is count copper content of items still in use as available scrap and define shortage as a total disappearance of scrap. That is 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 our request that you contact Secretary Evans to encourage him to approve the Petition filed by the CBFC and the NFFS. We look forward to your support.

Sincerely,

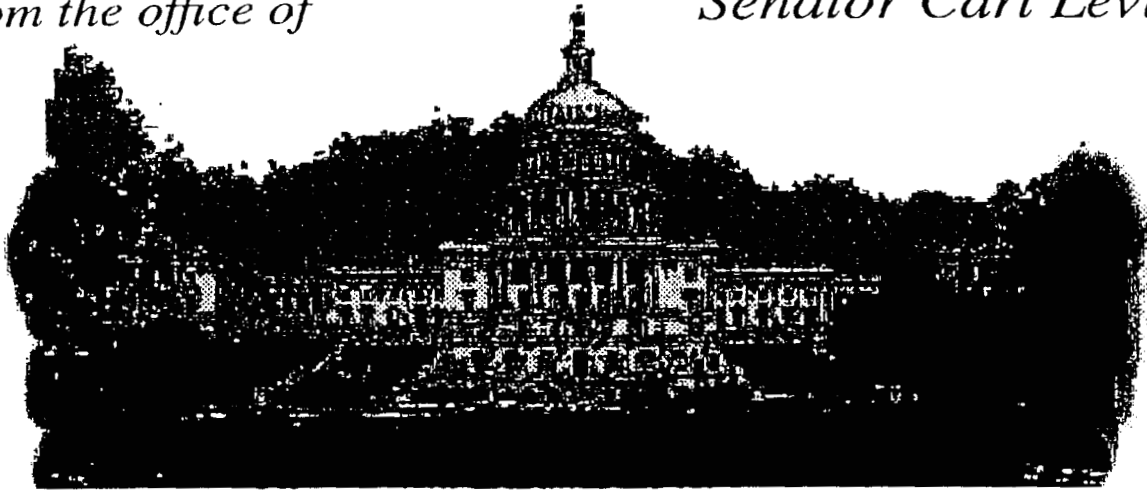


George M. Dykhuizen
President

04-002671

From the office of

Senator Carl Levin



(Please deliver to) Sec. Evans

(Date) 7/7/04

(Fax number) 482 2741

(From) alison Pascale for
Senator Levin

(Time) _____

Total number of pages including this page 4

If you do not receive all the pages, please call 202-224-6221

Additional comments: