

**BEFORE THE  
BUREAU OF INDUSTRY AND SECURITY  
U. S. Department Of Commerce**

**TESTIMONY OF  
JAMES L. MALLORY  
Non-Ferrous Founders' Society Executive Director**

**on**

**Petition for the Imposition of Monitoring and/or Export Controls  
on Copper and Copper-Alloy Scrap  
filed April 7, 2004  
by  
The Copper & Brass Fabricators Council  
and  
The Non-Ferrous Founders' Society**

**Docket No. 040419121-4121-01**

**May 19, 2004**

Good Morning. My name is James L. Mallory. I am the Executive Director of the Non-Ferrous Founders' Society ("NFFS"), a not-for-profit trade association representing the aluminum and copper-based foundry industry. Together with the Copper & Brass Fabricators Council, NFFS is one of the co-petitioners in the Short Supply Petition on Copper and Copper-Alloy Scrap filed with the Commerce Department on April 7<sup>th</sup>.

To begin my comments, allow me to give you some brief background information about the non-ferrous foundry industry in general and about brass & bronze foundries in particular. Non-ferrous foundries operate in nearly every state of the union, producing component parts that are used in virtually every other manufacturing industry. The industry consists of nearly 2,000 foundries, most of whom are small businesses but who collectively have almost a quarter of a million employees, contribute more than \$20 billion to the domestic Gross National Product, and produce something over 100,000 distinct products. Among non-ferrous foundries, NFFS estimates the current U.S. census of the brass & bronze foundry industry to be somewhere around 540 companies having roughly 40,000 employees.

Non-ferrous castings are essential to the lifestyle we have come to enjoy in the 21<sup>st</sup> century, and in fact are found in almost everything you come in contact with in your daily life. Everything from your kitchen sink to key national defense weapons systems contains non-ferrous castings. It isn't overstating to say that non-ferrous castings have been part of nearly every technological development since the industrial revolution, and figure prominently in many of the high tech systems and gadgets that make life easier and more enjoyable today. There are non-ferrous castings wherever you look and everywhere you go. I typically tell people that you're never more than 25 feet from a non-ferrous casting.

Non-ferrous foundries annually recycle millions of tons of scrap metal into useful components. Without those parts, America's great production engine would come to a grinding halt. Moreover, the reuse of these materials saves natural resources and decreases waste. More

than 95% of the feedstock for foundry production comes in the form of alloyed ingot derived from scrap metals. Among ingotmakers, #2 scrap is the principal feedstock. But as I hope my comments today will reveal, and as the petition filed on April 7<sup>th</sup> has clearly demonstrated, foundries today are facing a critical material supply problem. They're having a difficult time getting scrap metal. But that has certainly happened before.

The Non-Ferrous Founders' Society was created in 1943. At that time, and through most of the early 40's, many non-ferrous foundries found it increasingly difficult to get material allocations – namely scrap metal - for domestic (non-war related) production. Most of the metal was being rightly diverted to the war effort, but foundries needed scrap metal for other production needs as well. To try to find a way to secure material allocations to meet those needs, they established the Non-Ferrous Founders' Society. Part of the Society's initial charter was to work with the National Security Resource Board, and later with the Commerce Department's own National Production Authority Division, to control the flow of scrap metal. In fact, for a period during the early 1950's, a NFFS member (who would later also go on to serve as one of the Society's Presidents) left his own company to serve as the Chief of the Casting & Forging Section of the NPAD Office of Price Stabilization here in Washington.

So you see, the current short supply petition for copper and copper-alloy scrap is not the first time that NFFS has petitioned the Commerce Department to intervene in this area. Nearly a half century ago, representatives of the Society routinely met with Department officials to ask that the amount of scrap metal available for export – both copper and aluminum - be restricted. Even then, however, there were those who felt that scrap metal wasn't essential to the United States and that any and all export controls should be abolished.

Let me pause here for a moment to remind you that the Non-Ferrous Founders' Society represents both copper-base and aluminum foundries, as well as ingot manufacturers - secondary smelters who convert scrap metal into the ingot that today represents the principal

feedstock for the non-ferrous metalcasting industry. In fact, NFFS membership is almost evenly divided between the two metals. And while the petition we and CBFC filed on April 7<sup>th</sup>, and that we are here today to discuss, only addresses the situation as concerns the exports of copper and copper-alloy scrap, I feel obligated to note that just a week before that filing a representative of one of our aluminum smelter members testified before the House Small Business Committee concerning the export of aluminum scrap metal to China.

Following that hearing, Chairman Don Manzullo issued a statement in which he stated his belief that the Administration should, and I quote, "*immediately begin a study to consider the validity of imposing export controls on U.S. scrap.*" I have to admit to taking a bit of license with the Chairman's statement. His statement specifically called on the Administration to conduct a study on imposing export controls on steel scrap, not copper. But the Chairman's statement does not fully reflect how the scrap metal export market functions.

Again, let me refer to the testimony that our aluminum smelter member gave at the March 24<sup>th</sup> House Small Business Committee hearing. I'm certain that a copy of his written comments, as well as a full transcript of the hearing itself, is available from the Small Business Committee staff. At that hearing, our member described visits he had made to several scrap dealers in the metropolitan Boston area that supply scrap to his plant in Pennsylvania. He reported that at every location he visited, both large and small, he saw overseas containers being loaded with miscellaneous aluminum, copper, nickel, and stainless steel scrap. Most of the material being loaded would need extensive sorting or processing to be turned into useful product. But that sorting was to be done on the receiving end – in warehouses full of mixed metals, where they would be hand-sorted by low wage Chinese workers.

Since the petition NFFS and CBFC filed only seeks to impose monitoring and export controls on copper and copper-alloy scrap, I'm sure that the Department will be told that doing that would impose additional cost burdens on scrap dealers. But it's important to note that those costs

would only apply to materials being sent to China or elsewhere in such mixed containers. The scrap processing industry already incurs those sorting costs for materials being sold in the U.S. Frankly, factoring sorting costs back into the export price for scrap might actually help reduce the offshore flow of materials like aluminum, nickel and stainless steel as well, since I'm pretty sure some of the cost of sorting would have to be factored in on shipments of those materials as well.

Returning to the subject of the petition, namely copper and copper-alloy scrap, I've often described the situation that most brass & bronze foundries are in as being cut with both sides of a Chinese sword. On the one side, China's gluttonous appetite for scrap metal has driven prices for those materials up by more than 100%. On the other side, however, when U.S. foundries try to pass on the increased material costs, their customers respond that if their component costs increase, they will have to seriously begin looking at offshore sources, namely China.

In a fair global market, it's nearly impossible to overpay for raw materials while undercutting finished goods prices – at least for long. But it's been suggested to me anecdotally – and on more than one occasion - that some of the finished and delivered prices being quoted by Chinese foundries are actually lower than the materials content costs alone, and that situation has existed for several years. I would respectfully suggest that even the suggestion of that kind of non-market, manipulative behavior alone warrants the requested investigation.

On the supply side of the question, I am sure that it may very well be suggested by those who are opposed to this petition that the situation described in the petition is only temporary, an aberration, or a natural course of business. Others may well argue that the remedies requested offer only "a short term fix," and that in six months or less the problem may have passed. Still others will undoubtedly point to a reported recent demand decrease by the Chinese (if real), and the corollary decrease in scrap prices, as evidence that the problem has already begun to self-correct. To those critics, I can only say that the events of recent weeks only serve to prove ***rather than disprove*** the points made in the petition.

If China's intervention into the U.S. scrap metal market were not so dramatic, so severe, and so manipulative, then would the lessening of those conditions make so immediate and so obvious a difference in the metals market? If China's demand for scrap metal is in fact fully satisfied, why is it that other nations still feel it necessary to restrict the outflow of scrap metal beyond their borders? And if China's demand resumes or increases and the rest of the world continues to cut off the scrap metal supply flow to China, then where will China look for these materials? And what net effect would such a restoration of demand, which some experts are already predicting (and in fact fully expect) in the short term, have on the availability and cost of these materials to U.S. industries that rely on scrap metal as their principal feedstock?

In his March 25<sup>th</sup> statement House Small Business Chairman Manzullo suggested that the Department of Defense and Commerce's Bureau of Industry and Security at the Department should examine whether the steel and metal shortages in America are having an adverse affect on our Defense Industrial Base and our national security. The Congressman suggested that such an investigation should "*determine whether the U.S. government needs to enact the **Defense Production Act** to restrict the export of certain critical metals or raw materials necessary to defend the United States from its enemies.*"

We already know that the Bureau of Industry and Security has, for some time, been concerned with the impact that materials availability can have on U.S. defense readiness. In a 1987 report on the investment casting industry, for example, the Department expressed concern that while the U.S. leads the world in investment casting technology, the dependence on foreign suppliers for materials could result in raising lead times to unacceptable levels in an emergency. Certainly the outflow of critical materials to off-shore sources has a similar, and in fact a far more dangerous, effect on defense readiness.

At the August, 2003 DoD conference on *Diminishing Manufacturing Sources and Materials Shortages* (DMSMS), speakers repeatedly emphasized that globalization "*uber alles*" is

not a viable public policy where national security is concerned. One presentation by Sheila Ronis PhD. of the University Group, called the erosion of the U.S. industrial base an issue of national security and went so far as to postulate a scenario in which the enemies of the United States could disrupt our economy and the military by sinking the ships that feed our industrial base and our consumer culture. Frankly, I suggest to you that no one has to sink any ships to disrupt our economy and the military. Rather, they only need to keep doing what they've been doing – fill the containers on those ships with the materials that feed our manufacturing industries, and take those materials overseas.

At that same DMSMS conference, a representative of Commerce's Office of Strategic Industries and Economic Security addressed the subject of **Security of Supply**. In that presentation, he cited the June 2002 NATO document on *Priorities and Allocations Systems Within the Alliance*, which describes a nation's ability to guarantee an appropriate supply of defense materials ... in order to discharge the nation's foreign and security responsibilities and fulfill its military and civil emergency commitments. NFFS believes that U.S. industrial (and therefore our defense supply chain) capabilities are clearly jeopardized by the diminished availability of materials like scrap metal. However, China and other nations think nothing about limiting the outflow of materials where their domestic industries may be impacted. As an example, I'm sure that the Commerce Department is well aware that China has limited its exports of steel and industrial coke with the rationale that these material limits are needed to augment and improve their domestic economy. Other nations such as Russia and the Ukraine do likewise.

The two-sided effect of the outsourcing of critical materials is well known. A 1999 study on tech transfers to China determined that, in addition to reinvigorating its domestic economy, China's economic and industrial development strategies and defense conversion programs are also intended to assist China's military development. China's non-market economy prevents outside eyes from ascertaining what percentage of the current materials build-up is used

to sustain domestic or export markets versus how much might be retained for possible future military development.

Why is the United States the only industrialized nation that does not seem deeply concerned with maintaining its own domestic manufacturing (and defense) capabilities? Why, after holding 20 public forum discussions during a year-long focus on the challenges confronting U.S. manufacturing is the Commerce Department in fact not more aggressively implementing its own recommendation “*to identify and eliminate foreign trade practices that distort market conditions to the disadvantage of U.S. manufacturers?*” And isn’t the economic manipulation of the scrap metal supply chain for U.S. manufacturing a textbook example of just such a market-distorting foreign trade practice?

The circumstances as outlined in the short supply petition warrant careful monitoring and may indeed demand that controls be implemented to limit the impacts they have on U.S. manufacturers. On behalf of the members of the Non-Ferrous Founders’ Society, and indeed for all domestic brass & bronze foundries, I urge the Secretary to implement the requested monitoring and export controls requested in the petition as filed.

Respectfully submitted,

James L. Mallory, CAE  
Executive Director  
**Non-Ferrous Founders’ Society**  
1480 Renaissance Drive, Suite #310  
Park Ridge, Illinois 60068  
Phone: (847) 299-0950  
Fax: (847) 299-3598  
e-mail: [jlm@nffs.org](mailto:jlm@nffs.org)



**VITAE: JAMES L. MALLORY, CAE**  
**Non-Ferrous Founders' Society**

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**ASSOCIATION EXPERIENCE:**

August, 1985 to Present

**NON-FERROUS FOUNDERS' SOCIETY**

Executive Director  
**Park Ridge, Illinois**

December, 1981 to August, 1985

**STEEL FOUNDERS' SOCIETY OF AMERICA**

Director of Administration  
**Des Plaines, Illinois**

July, 1976 to November, 1981

**AMERICAN FISHING TACKLE**  
**MANUFACTURERS' ASSOCIATION**

Director of Administration  
**Arlington Heights, Illinois**

**EDUCATION AND TRAINING:**

Loyola University, Chicago; 1972; BA, Sociology; Minor, Marketing.

Institute for Organization Management, University of Notre Dame, 1981-1987.

*Association Management training curriculum sponsored by the U.S. Chamber of Commerce.*

Certified Association Executive (CAE) designation from the American Society of Association Executives, 1985.

**PROFESSIONAL AFFILIATIONS:**

American Metalcasting Consortium (AMC) - Board Member, 1992 to Present.  
Secretary, 1992-1994.

American Society of Association Executives (ASAE) - Member, 1981 to Present

Association Forum of Greater Chicagoland - Member, 1981 to Present.

CAE Committee - Member, 1988 to 1994.

Education Committee - Marketing Liaison, 1983-1984.

- Chairman, Education Marketing Task Force, 1985.

- Winter Conference Task Force Member, 1988.

Marketing Committee - Member, 1983-1986.

Membership Development Committee - Member, 1985-1986.

- Chairman, 1986-1988.

Planning Committee - Member, 1988-1990.

*John C. Thiel Distinguished Service Award Recipient, 1992.*

*Management Excellence in Association Programming Award Recipient, 1996*

Environmental Protection Agency – NACEPT Compliance Assistance Advisory Committee (CAAC):  
Member, 2002 to Present.

National Ass'n of Manufacturers (NAM) - Member, 1987 - Present.

Associations Council - Member, 1987 - Present.

Membership Committee - 1991 to 1999.

Small Manufacturers Issues Group Chairman, 2001 – Present.

U. S. Chamber of Commerce - Institute for Organization Management

Notre Dame Institute - Non-enrolled Class Advisor: 1988, 1989, 1992.

- Board of Regents: Member, 1989 to 1998.

Vice-Chairman, 1990 - 1991.

Chairman, 1991 - 1992.

Faculty: 1992, 1995 to 1998.

*Robert L. Van Ausdall* Scholarship Committee: Chairman, 1992; Member, 1995.

Center for Leadership Development: Board of Trustees, Member, 1990-93.

CLD Scholarship Committee, 1992; 1995.

Focus Group Facilitator, 1993.

U. S. Department of Commerce - Industry Sector Advisory Committee for Nonferrous Ores and Metals (ISAC 11), Member, 1988 to 2004.

- Industry Trade Advisory Committee on Nonferrous Metals and Building Products (ITAC 9), Member, 2004 to 2006.

White House Conference on Small Business, 1994 – Discussion Moderator

## **PRESENTATIONS AND ACTIVITIES:**

*"ABC's of Chapter Development"* - ASPO/Lamaze, 1987 Annual Meeting.

*"Association Management Case Study"* - CSAE CAE Study Group; 1987-1996 (Annually).

*"Association Organization & Structure"* - CSAE Introduction to Ass'n Mgmt., 1993.

*"Building Local Association Membership"* - International Floorcovering Association (IFA) Annual Conference & Expo, 1987.

*"Conducting Effective Board & Committee Meetings"* - Neuro-Developmental Treatment Association (NDTA) Spring Leadership Conference, 1993.

*"Developing a Membership Drive"* - Society of Incentive Travel Executives (SITE) International Leadership Forum, 1988.

*"Financial Management"* - CSAE CAE Study Group; 1986, 1989, 1991.

*"Managing Human Resources"* - NDTA Board Meeting, 1993 Annual Meeting.

*"Membership Development & Services"* - CSAE Winter Educational Conference, 1986.

*"Membership: Marketing, Development & Services"* - CSAE Introduction to Ass'n Mgmt; 1988 (quarterly), 1990 (2 times), 1991-1995 (Annually).

*"Staff Development & Administration"* - Institute for Organization Management, University of Notre Dame, 1995, 1996.

*"Technology and the Information Revolution"* - White House Conference on Small Business Springfield, IL, August, 1994.

*"Volunteer/Staff Relationships"* - Institute for Organization Management, University of Notre Dame, 1992, 1995, 1996.

## **PERSONAL:**

Resident of Park Ridge, Illinois with wife, Janet, and son, James.