

**RECORD OF COMMENTS IN RESPONSE TO THE NATIONAL DEFENSE  
STOCKPILE MARKET IMPACT COMMITTEE REQUEST FOR PUBLIC  
COMMENTS ON THE POTENTIAL MARKET IMPACT OF PROPOSED  
STOCKPILE SALES IN FY2005**

**Published in the Federal Register**

**[69 FR 35582](#)  
(DUE JULY 26, 2004)**

<b>COMMENT</b>	<b>SOURCE</b>	<b>SIGNER(S) OF LETTER</b>	<b>DATE</b>	<b>NUMBER OF PAGES</b>
1	<b><a href="#">IPSCO Enterprises Inc.</a></b>	Larry Schnurbusch	July 14, 2004	2
2	<b><a href="#">American Iron and Steel Institute</a></b>	Andrew G. Sharkey III	July 26, 2004	21
3	<b><a href="#">Eramet Marietta</a></b>	Nicholas A. Pyle	July 26, 2004	6

information needed in formulating recommendations to the President and the U.S. Government. The PECSEA meets 4 to 6 times per year. Members of the Subcommittee will not be compensated for their services. The PECSEA is seeking private-sector members with senior export control expertise and direct experience in one or more of the following industries: machine tools, semiconductors, commercial communication satellites, high performance computers, telecommunications, aircraft, pharmaceuticals, and chemicals.

*To apply:* Please send a short biographical sketch to Ms. Lee Ann Carpenter at [Lcarpent@bis.doc.gov](mailto:Lcarpent@bis.doc.gov). For more information, please contact Ms. Carpenter on 202-482-2583.

*Deadline:* This request will be open for 15 days from the date of publication in the **Federal Register**.

Dated: June 18, 2004.

**Peter Lichtenbaum,**  
*Assistant Secretary for Export Administration.*

[FR Doc. 04-14386 Filed 6-24-04; 8:45 am]

BILLING CODE 3510-JT-M

## DEPARTMENT OF COMMERCE

### Bureau of Industry and Security

[Docket No. 040610178-4178-01]

#### National Defense Stockpile Market Impact Committee Request for Public Comments on the Potential Market Impact of Proposed Stockpile Disposals in the FY 2005 Annual Materials Plan (AMP)

**AGENCY:** U.S. Department of Commerce.

**ACTION:** Notice of inquiry.

**SUMMARY:** This notice is to advise the public that the National Defense Stockpile Market Impact Committee (co-chaired by the Departments of Commerce and State) is seeking public comments on the potential market impact of proposed increases to the disposal levels of excess materials from the National Defense Stockpile for the Fiscal Year 2005 Annual Materials Plan.

**DATES:** Comments must be received by July 26, 2004.

**ADDRESSES:** Written comments should be sent to William J. Denk, Co-Chair, Stockpile Market Impact Committee, Office of Strategic Industries and Economic Security, Room 3876, Bureau of Industry and Security, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; Fax: (202) 482-5650; E-mail: [wdenk@bis.doc.gov](mailto:wdenk@bis.doc.gov).

**FOR FURTHER INFORMATION CONTACT:** The co-chairs of the National Defense Stockpile Market Impact Committee. Contact either William J. Denk, Office of Strategic Industries and Economic Security, Bureau of Industry and Security, U.S. Department of Commerce, (202) 482-3634 or James Steele, Office of International Energy and Commodity Policy, U.S. Department of State, (202) 647-2871.

**SUPPLEMENTARY INFORMATION:** Under the authority of the Strategic and Critical Materials Stock Piling Act of 1979, as amended, (50 U.S.C. 98 *et seq.*), the Department of Defense ("DOD"), as National Defense Stockpile Manager, maintains a stockpile of strategic and critical materials to supply the military, industrial, and essential civilian needs of the United States for national defense. Section 3314 of the Fiscal Year ("FY") 1993 National Defense Authorization Act ("NDAA") (50 U.S.C. 98h-1) formally established a Market Impact Committee ("the Committee") to "advise the National Defense Stockpile Manager on the projected domestic and foreign economic effects of all acquisitions and disposals of materials from the stockpile \* \* \*". The Committee must also balance market impact concerns with the statutory requirement to protect the Government against avoidable loss.

The Committee is comprised of representatives from the Departments of Commerce, State, Agriculture, Defense, Energy, Interior, Treasury, and the Federal Emergency Management Agency, and is co-chaired by the Departments of Commerce and State. The FY 1993 NDAA directs the Committee to "consult from time to time with representatives of producers, processors and consumers of the types of materials stored in the stockpile."

The National Defense Stockpile Administrator is proposing revisions to the previously approved FY 2005 Annual Materials Plan ("AMP") quantities for three materials: (1) Ferromanganese, from 50,000 Short Tons to 100,000 Short Tons; (2) Manganese ore (Metallurgical grade), from 250,000 Short Dry Tons to 500,000 Short Dry Tons, and (3) Tungsten ores and Concentrates, from 4,000,000 Pounds to 5,000,000 Pounds (contained tungsten). Significant supply shortfalls in global and domestic markets, at this time, necessitate an additional increase in the allotment of these materials for the FY 2005 AMP. The Committee is seeking public comments on the potential market impact of an increase to the previously approved material quantities to be offered for sale in the

FY 2005 AMP. Note: The proposed revisions must first be approved by the U.S. Congress.

The AMP quantities are not targets for either sale or disposal. They are only a statement of the proposed maximum disposal quantity of each listed material that may be sold in a particular fiscal year. The quantity of each material that will actually be offered for sale will depend on the market for the material at the time of the offering as well as on the quantity of each material approved for disposal by Congress.

The Committee requests that interested parties provide written comments, supporting data and documentation, and any other relevant information on the potential market impact of the sale of these AMP commodities. Although comments in response to this Notice must be received by July 26, 2004, to ensure full consideration by the Committee, interested parties are encouraged to submit comments and supporting information at any time thereafter to keep the Committee informed as to the market impact of the sale of these commodities. Public comments are an important element of the Committee's market impact review process.

Public comments received will be made available at the Department of Commerce for public inspection and copying. Anyone submitting business confidential information should clearly identify the business confidential portion of the submission and also provide a non-confidential submission that can be placed in the public file. The Committee will seek to protect such information to the extent permitted by law.

The records related to this Notice will be made accessible in accordance with the regulations published in Part 4 of Title 15 of the Code of Federal Regulations (15 CFR 4.1 *et seq.*). Specifically, the Bureau of Industry and Security's Freedom of Information Act ("FOIA") reading room is located on its Web page, which can be found at <http://www.bis.doc.gov>, and copies of the public comments received will be maintained at that location (see FOIA heading). If requesters cannot access the Web site, they may call (202) 482-2165 for assistance.

Dated: June 17, 2004.

**Peter Lichtenbaum,**  
*Assistant Secretary for Export Administration, Bureau of Industry and Security, U.S. Department of Commerce.*

[FR Doc. 04-14436 Filed 6-24-04; 8:45 am]

BILLING CODE 3510-DR-P



July 14, 2004

VIA HAND DELIVERY

Mr. William J. Denk  
Co-Chair, Stockpile Market Impact Committee  
Office of Strategic Industries and Economic Security  
Room 3876  
Bureau of Industry and Security  
US Department of Commerce  
1401 Constitution Avenue NW  
Washington D.C. 20230

Dear Chairman Denk:

I am writing in response to a Federal Register notice of June 25, 2004 (Docket No. 040610178). IPSCO Enterprises, Inc operates two steel mills in the US that make carbon steel plate. This plate is used in high strength construction and infrastructure projects, and is also used in the production of a number of different types of pipe manufactured by IPSCO at various facilities throughout the US. High strength steels such as plate require significantly more ferromanganese than more pliable steels. It is imperative for our company that an adequate source of ferromanganese be available in the market. IPSCO has approximately 2000 full time and contract employees in seven states.

I want to endorse the proposal for additional sales of ferromanganese from the DLA stockpile, and believe that after a review of the facts, the Market Impact Committee will determine that the additional release of 50,000 tons of ferromanganese during FY 2005 will have no adverse effect on the domestic producers of ferromanganese.

Since December of 2003 the price of ferromanganese has increased almost 400% as reported in Ryan's Notes, an industry newsletter that reports on markets and prices for ferroalloys. The price change is a reflection of availability and provides a stark indication of global demand for this most common of the ferroalloys used in steel making.

At this time the market demand for steel is growing globally, and American steel producers are operating at close to full capacity. This is a remarkable change from the production levels of 2001. In 2001, the American Iron and Steel Institute reported that American steel producers were operating at 79% capacity. It was at that time that a cap was placed on the sale of ferromanganese from the stockpile. The industry is now operating at over 90% capacity.

**ipSCO enterprises inc.**

650 Warrenville Road, Suite 500, Lisle, Illinois 60532  
Phone (630) 810-4800 Fax (630) 810-4600



July 14, 2004  
Page 2 of 2

Today's market conditions provide DLA with an opportunity to sell additional ferromanganese without harming the domestic industry.

We hope you will consider these comments favorably, and proceed with the additional release of ferromanganese. Should you have questions please feel free to contact me at 630-810-4731. Or you may call Martha Gibbons at 202-842-2255 or Jennifer Franklin at 563-381-5300; both are quite familiar with this situation.

Sincerely,

Larry Schnurbusch  
Vice President, Raw Materials and Procurement

cc: Todd Akin, MC US House of Representatives  
Jennifer Franklin, Purchasing Manager, IPSCO Steel  
Martha Gibbons, IPSCO Enterprises Inc. Washington DC



**American  
Iron and Steel  
Institute**

1140 Connecticut Avenue, NW  
Suite 705  
Washington, DC 20036-4700  
Phone: 202.452.7146  
Fax: 202.452.1039  
Email: [asharkey@steel.org](mailto:asharkey@steel.org)

[www.steel.org](http://www.steel.org)

Andrew G. Sharkey, III  
President and Chief Executive Officer

July 26, 2004

William J. Denk  
Co-Chairman  
Stockpile Market Impact Committee  
Office of Strategic Industries and Economic Security  
Room 3876  
Bureau of Industry and Security  
U.S. Department of Commerce  
14<sup>th</sup> and Constitution Avenue, NW  
Washington, DC 20230

**Subject: American Iron and Steel (AISI) Submission in Response to the June 25, 2004  
Federal Register Notice re National Defense Stockpile Market Impact Committee  
(MIC) Request for Public Comments on the Potential Market Impact of Proposed  
Stockpile Disposals in the FY 2005 Annual Materials Plan (AMP)**

Dear Mr. Denk:

On behalf of the U.S. members of AISI, the industry is supportive of proposed increases to the disposal levels of excess materials from the National Defense Stockpile for the Fiscal Year 2005 AMP due to significant supply shortfalls in global and domestic markets at this time. Specifically, we are requesting that the MIC recommend the release of up to 100,000 short tons of high carbon ferromanganese (HCFeMn) from the Stockpile during fiscal year 2005, provided that the existing statute is amended to permit the release of more than 50,000 short tons.

The Committees on Armed Services of the House of Representatives and the Senate recently included in their respective Defense Authorization Bills, language that would allow for this level of release in fiscal year 2005 by amending section 3306(a) of the National Defense Authorization Act of 2002 (*see attached*). Current statute limits the 2005 release to 50,000 short tons.

*Representing steel producers  
In Canada, Mexico and the United States*

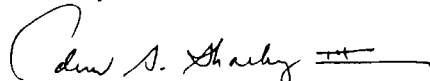
Proposed changes to the existing statute are based on the short supply of HCFeMn. Global steel demand is at record levels, resulting in a shortage of steelmaking inputs worldwide. The Defense Logistics Agency (DLA) has already released the last of the 50,000 short tons authorized for FY04. Prices for ferromanganese have climbed - from \$400/ton in December 2003 to as high as \$1500 today, again, reflecting a material shortage.

Release of additional HCFeMn from the stockpile would enable the steel industry to procure the tonnage it requires to keep up with market demand and meet customer needs. Given the present shortage and unprecedented high market price for HCFeMn, the industry believes that there will be no disruption to the market or to suppliers as a result of the requested release.

For your review, I have attached global and domestic steel industry charts that reflect current market conditions.

Thank you for your consideration. Please contact me or Tara Minardi Moser on my staff (202.452.7198 or [tminardimoser@steel.org](mailto:tminardimoser@steel.org)) with questions or if you require additional information.

Sincerely,



Attachments (5)

IB

**Union Calendar No. 278**108TH CONGRESS  
2D SESSION**H. R. 4200****[Report No. 108-491]**

To authorize appropriations for fiscal year 2005 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2005, and for other purposes.

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**IN THE HOUSE OF REPRESENTATIVES**

APRIL 22, 2004

Mr. HUNTER (for himself and Mr. SKELTON) (both by request) introduced the following bill; which was referred to the Committee on Armed Services

MAY 14, 2004

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on April 22, 2004]

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**A BILL**

To authorize appropriations for fiscal year 2005 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2005, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*

## 16

*PART II—NAVY CONVEYANCES*

- Sec. 2841. Transfer of jurisdiction, Nebraska Avenue Naval Complex, District of Columbia.*  
*Sec. 2842. Land conveyance, Navy property, former Fort Sheridan, Illinois.*  
*Sec. 2843. Land exchange, Naval Air Station, Patuxent River, Maryland.*

*PART III—AIR FORCE CONVEYANCES*

- Sec. 2851. Land exchange, Maxwell Air Force Base, Alabama.*

**DIVISION C—DEPARTMENT OF ENERGY NATIONAL SECURITY AUTHORIZATIONS AND OTHER AUTHORIZATIONS****TITLE XXXI—DEPARTMENT OF ENERGY NATIONAL SECURITY PROGRAMS****Subtitle A—National Security Programs Authorizations**

- Sec. 3101. National Nuclear Security Administration.*  
*Sec. 3102. Defense environmental management.*  
*Sec. 3103. Other defense activities.*  
*Sec. 3104. Defense nuclear waste disposal.*

**Subtitle B—Program Authorizations, Restrictions, and Limitations**

- Sec. 3111. Extension of authority for appointment of certain scientific, engineering, and technical personnel.*  
*Sec. 3112. Requirements for baseline of projects under Facilities and Infrastructure Recapitalization Program.*

**Subtitle C—Other Matters**

- Sec. 3131. Transfers and reprogrammings of National Nuclear Security Administration funds.*  
*Sec. 3132. National Academy of Sciences study on management by Department of Energy of high-level radioactive waste.*  
*Sec. 3133. Contract to review Waste Isolation Pilot Plant, New Mexico.*

**TITLE XXXII—DEFENSE NUCLEAR FACILITIES SAFETY BOARD**

- Sec. 3201. Authorization.*

**TITLE XXXIII—NATIONAL DEFENSE STOCKPILE**

- Sec. 3301. Authorized uses of National Defense Stockpile funds.*  
*Sec. 3302. Relaxation of quantity restrictions on disposal of manganese ferro in National Defense Stockpile.*  
*Sec. 3303. Revision of earlier authority to dispose of certain materials in National Defense Stockpile.*

**TITLE XXXIV—NAVAL PETROLEUM RESERVES**

- Sec. 3401. Authorization of appropriations.*

**TITLE XXXV—MARITIME ADMINISTRATION**

- Sec. 3501. Authorization of appropriations for Maritime Administration.*

•HR 4200 RH



556

1 **SEC. 3133. CONTRACT TO REVIEW WASTE ISOLATION PILOT**  
2 **PLANT, NEW MEXICO.**

3 *The Secretary of Energy shall enter into a contract*  
4 *to conduct independent reviews and evaluations of the de-*  
5 *sign, construction, and operations of the Waste Isolation*  
6 *Pilot Plant in New Mexico as they relate to the protection*  
7 *of the public health and safety and the environment. The*  
8 *contract shall be for a period of one year and shall be renew-*  
9 *able for four additional one-year periods, subject to the au-*  
10 *thorization and appropriation of funds for such purpose.*

11 **TITLE XXXII—DEFENSE NU-**  
12 **CLEAR FACILITIES SAFETY**  
13 **BOARD**

14 **SEC. 3201. AUTHORIZATION.**

15 *There are authorized to be appropriated for fiscal year*  
16 *2005, \$21,268,000 for the operation of the Defense Nuclear*  
17 *Facilities Safety Board under chapter 21 of the Atomic En-*  
18 *ergy Act of 1954 (42 U.S.C. 2286 et seq.).*

19 **TITLE XXXIII—NATIONAL**  
20 **DEFENSE STOCKPILE**

21 **SEC. 3301. AUTHORIZED USES OF NATIONAL DEFENSE**  
22 **STOCKPILE FUNDS.**

23 *(a) OBLIGATION OF STOCKPILE FUNDS.—During fis-*  
24 *cal year 2005, the National Defense Stockpile Manager may*  
25 *obligate up to \$59,700,000 of the funds in the National De-*  
26 *fense Stockpile Transaction Fund established under sub-*

557

1 *section (a) of section 9 of the Strategic and Critical Mate-*  
2 *rials Stock Piling Act (50 U.S.C. 98h) for the authorized*  
3 *uses of such funds under subsection (b)(2) of such section,*  
4 *including the disposal of hazardous materials that are envi-*  
5 *ronmentally sensitive.*

6 (b) *ADDITIONAL OBLIGATIONS.—The National Defense*  
7 *Stockpile Manager may obligate amounts in excess of the*  
8 *amount specified in subsection (a) if the National Defense*  
9 *Stockpile Manager notifies Congress that extraordinary or*  
10 *emergency conditions necessitate the additional obligations.*  
11 *The National Defense Stockpile Manager may make the ad-*  
12 *ditional obligations described in the notification after the*  
13 *end of the 45-day period beginning on the date on which*  
14 *Congress receives the notification.*

15 (c) *LIMITATIONS.—The authorities provided by this*  
16 *section shall be subject to such limitations as may be pro-*  
17 *vided in appropriations Acts.*

18 **SEC. 3302. RELAXATION OF QUANTITY RESTRICTIONS ON**  
19 **DISPOSAL OF MANGANESE FERRO IN NA-**  
20 **TIONAL DEFENSE STOCKPILE.**

21 *Section 3306(a) of the National Defense Authorization*  
22 *Act for Fiscal Year 2002 (Public Law 107-107; 115 Stat.*  
23 *1391; 50 U.S.C. 98d note) is amended—*

558

1           (1) in paragraph (3), by striking “each of the  
2       fiscal years 2004 and 2005” and inserting “fiscal  
3       year 2004”; and

4           (2) by adding at the end the following new para-  
5       graph:

6           “(4) During fiscal year 2005, 100,000 short tons  
7       of high carbon manganese ferro of the highest grade.

8       **SEC. 3303. REVISION OF EARLIER AUTHORITY TO DISPOSE**  
9                               **OF CERTAIN MATERIALS IN NATIONAL DE-**  
10                              **FENSE STOCKPILE.**

11       Section 3303(a) of the Strom Thurmond National De-  
12       fense Authorization Act for Fiscal Year 1999 (Public Law  
13       105-261; 50 U.S.C. 98d note) is amended by striking para-  
14       graphs (4) and (5) and inserting the following new para-  
15       graphs:

16           “(4) \$785,000,000 by the end of fiscal year 2005;  
17       and

18           “(5) \$870,000,000 by the end of fiscal year  
19       2009.”.

20                              **TITLE XXXIV—NAVAL**  
21                              **PETROLEUM RESERVES**

22       **SEC. 3401. AUTHORIZATION OF APPROPRIATIONS.**

23       (a) **AUTHORIZATION OF APPROPRIATIONS.**—There are  
24       hereby authorized to be appropriated to the Secretary of  
25       Energy \$20,000,000 for fiscal year 2005 for the purpose of

108TH CONGRESS 2d Session	HOUSE OF REPRESENTATIVES	REPORT 108-491
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NATIONAL DEFENSE AUTHORIZATION ACT  
FOR FISCAL YEAR 2005

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R E P O R T

OF THE

COMMITTEE ON ARMED SERVICES  
HOUSE OF REPRESENTATIVES


ON

H.R. 4200

together with

ADDITIONAL VIEWS

[Including committee cost estimate]



MAY 14, 2004 --Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

438

sign, construction and operations of the Waste Isolation Pilot Plant in New Mexico.

#### TITLE XXXII—DEFENSE NUCLEAR FACILITIES SAFETY BOARD

##### LEGISLATIVE PROVISIONS

###### Section 3201—Authorization

This section would authorize \$21.3 million for the Defense Nuclear Facilities Safety Board for fiscal year 2005, an increase of \$1.0 million to fund cost-of-living pay increases for permanent staff and to hire outside consultants as needed for technical oversight of new Department of Energy projects.

#### TITLE XXXIII—NATIONAL DEFENSE STOCKPILE

##### LEGISLATIVE PROVISIONS

###### Section 3301—Authorized Uses of National Defense Stockpile Funds

This section would authorize \$59.7 million from the National Defense Stockpile Transaction Fund for the operation and maintenance of the National Defense Stockpile for fiscal year 2005. The provision would also permit the use of additional funds for extraordinary or emergency conditions 45 days after Congress receives notification.

###### Section 3302—Revision of Limitations on Required Disposals of Certain Materials in National Defense Stockpile

This section would amend section 3306 of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107) by authorizing the Secretary of Defense to dispose of 100,000 short tons of high carbon manganese ferro of the highest grade during fiscal year 2005, rather than 50,000 short tons as currently authorized.

###### Section 3303—Authority to Dispose of Certain Materials in National Defense Stockpile

This section would amend section 3303 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261) to authorize the Secretary of Defense to dispose of materials in the National Defense Stockpile so as to result in \$785.0 million in receipts by the end of fiscal year 2005, and \$870.0 million in receipts by the end of fiscal year 2009.

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## **S.2400**

### **National Defense Authorization Act for Fiscal Year 2005 (Placed on Calendar in Senate)**

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86 et seq.).

#### **TITLE XXXIII--NATIONAL DEFENSE STOCKPILE**

#### **SEC. 3301. DISPOSAL OF FERROMANGANESE.**

(a) DISPOSAL AUTHORIZED- The Secretary of Defense may dispose of up to 50,000 tons of ferromanganese from the National Defense Stockpile during fiscal year 2005.

(b) CONTINGENT AUTHORITY FOR ADDITIONAL DISPOSAL- After the disposal of ferromanganese authorized by subsection (a)--

(1) the Secretary may dispose of up to an additional 25,000 tons of ferromanganese from the National Defense Stockpile before September 30, 2005; and

(2) if the Secretary completes the disposal authorized by paragraph (1) before September 30, 2005, the Secretary may dispose of up to an additional 25,000 tons of ferromanganese from the National Defense Stockpile before that date.

(c) CERTIFICATION- The Secretary may dispose of ferromanganese under paragraph (1) or (2) of subsection (b) only if the Secretary, with the concurrence of the Secretary of Commerce, certifies to the congressional defense committees not later than 30 days before the commencement of disposal under the applicable paragraph that--

(1) the disposal of ferromanganese under such paragraph is in the national interest due to extraordinary circumstances in markets for ferromanganese;

(2) the disposal of ferromanganese under such paragraph will not cause undue harm to domestic manufacturers of ferroalloys; and

(3) the disposal of ferromanganese under such paragraph is consistent with the requirements and purpose of the National Defense Stockpile under the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.).

(d) DELEGATION OF RESPONSIBILITY- The Secretary of Defense and the Secretary of Commerce may each delegate the responsibility of such Secretary under subsection (c) to an appropriate official within the Department of Defense or the Department of Commerce, as the case may be.

(e) NATIONAL DEFENSE STOCKPILE DEFINED- In this section, the term 'National Defense Stockpile' means the stockpile provided for in section 4 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98c).

#### **SEC. 3302. REVISIONS TO REQUIRED RECEIPT OBJECTIVES FOR CERTAIN PREVIOUSLY AUTHORIZED DISPOSALS FROM THE NATIONAL DEFENSE STOCKPILE.**

Section 3303(a) of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (50 U.S.C. 98d note) is amended--

- (1) in paragraph (4), by striking `and' at the end;
- (2) in paragraph (5), by striking the period at the end and inserting `; and'; and
- (3) by adding at the end the following new paragraph:  
(6) \$870,000,000 by the end of fiscal year 2014.'

Calendar No. 503

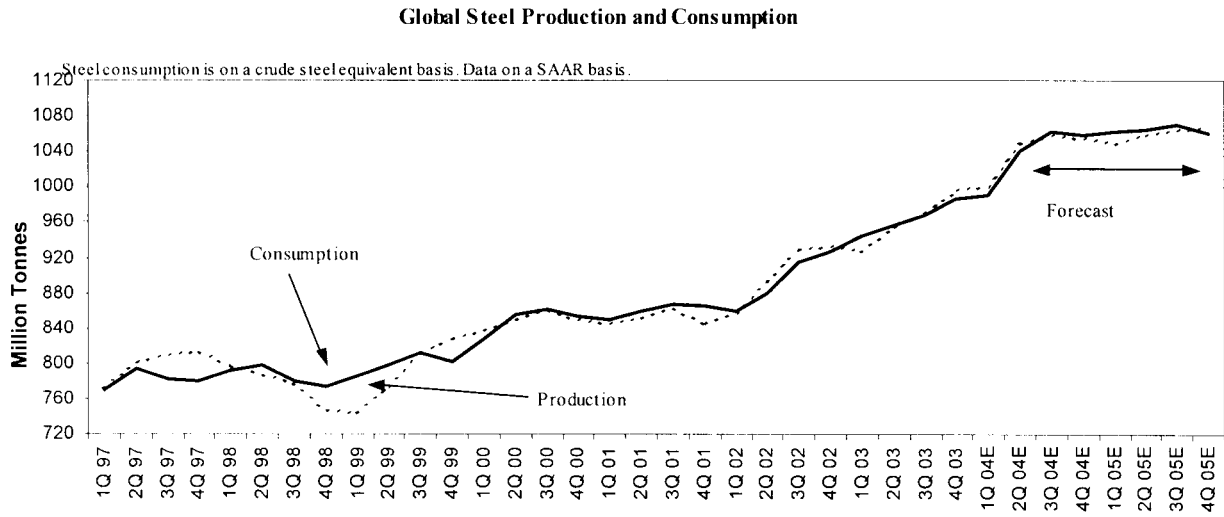
## **TITLE XXXIII--NATIONAL DEFENSE STOCKPILE**

### ***Disposal of ferromanganese (sec. 3301)***

The committee recommends a provision that would revise the limitation on the disposal of high carbon manganese ferro contained in section 3306(a)(3) of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107). The committee notes that high carbon manganese ferro is one of several materials critical to the steelmaking process. Economic conditions have resulted in a steady increase in the demand for steel and steelmaking materials. Therefore, the committee recommends a process to increase the amount of high carbon manganese ferro available for disposal from the National Defense Stockpile.

### ***Revisions to required receipt objectives for certain previously authorized disposals from the National Defense Stockpile (sec. 3302)***

The committee recommends a provision that would authorize disposal of excess and obsolete material contained in the National Defense Stockpile.



Source: World Steel Dynamics, May 13, 2004



**Global Steel Production, Consumption and Related Items**

(million metric tonnes, crude steel equivalent basis)

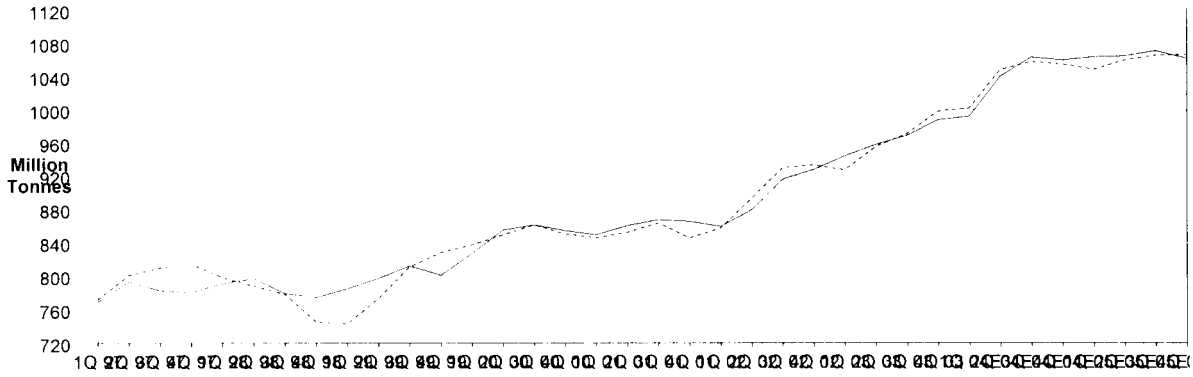
-----Annualized-----										
Quarter	SAAR* Steel Production	Less: Steel Mill Inventory Addition	Ratio: Crude to ASC	Equals: Apparent Steel Consumption	Minus: User Inventory Addition	Equals: Steel Consumption	Year on Year % Change in Consumption	Cons-Prod	Antwerp Composite	
1Q 97	772	-7	0.99	7790.07464	10	769	0.04926	3	-7	464
2Q 97	801	-2	1.00	8030.09269	10	793	0.06174	8	-2	474
3Q 97	810	19	1.02	7910.06078	8	783	0.05005	27	19	477
4Q 97	814	30	1.04	7840.04517	4	780	0.04541	34	30	473
1Q 98	798	-3	1.00	8010.02837	10	791	0.02874	7	-3	465
2Q 98	788	-14	0.98	8020.00100	5	797	0.00530	-9	-14	438
3Q 98	778	9	1.01	7690.02732	-10	779	-0.00460	-1	9	405
4Q 98	745	-4	0.99	7490.04513	-25	774	-0.00820	-29	-4	325
1Q 99	743	-22	0.97	7650.04494	-20	785	-0.00759	-42	-22	312
2Q 99	773	-19	0.98	7920.01247	-5	797	0	-24	-19	337
3Q 99	811	-6	0.99	8170.06242	5	812	0.04236	-1	-6	352
4Q 99	828	15	1.02	8130.08545	12	801	0.03488	27	15	377
1Q 00	837	-12	0.99	8490.10980	22	827	0.05350	10	-12	
2Q 00	849	-3	1.00	8520.07576	-3	855	0.07277	-6	-3	
3Q 00	861	10	1.01	8510.04162	-10	861	0.06034	0	10	
4Q 00	850	17	1.02	8330.02460	-21	854	0.06617	-4	17	
1Q 01	845	-6	0.99	8510.00236	2	849	0.02660	-4	-6	
2Q 01	852	-10	0.99	8620.01174	2	860	0.00585	-8	-10	
3Q 01	863	6	1.01	8570.00705	-10	867	0.00697	-4	6	
4Q 01	845	-10	0.99	8550.02641	-10	865	0.01288	-20	-10	
1Q 02	857	-10	0.99	8670.01869	8	859	0.01167	-2	-10	
2Q 02	893	4	1.00	8890.03115	10	879	0.02192	14		
3Q 02	930	12	1.01	9180.07080	2	916	0.05614	14		
4Q 02	933	6	1.01	9270.08452	0	927	0.07198	6		
1Q 03	927	0	1.00	9270.06926	-17	944	0.09902	-17		
2Q 03	955	0	1.00	9550.07409	-3	958	0.08973	-3		
3Q 03	971	-4	1.00	9750.06215	6	969	0.05791	2		
4Q 03	997	-4	1.00	10010.07997	14	987	0.06487	10		
1Q 04E	1002	-10	0.99	10120.09125	20	992	0.05041	10		
2Q 04E	1048	-12	0.99	10600.10992	20	1040	0.08556	8		
3Q 04E	1057	-5	1.00	10620.08996	0	1062	0.09671	-5		
4Q 04E	1054	-5	1.00	10590.05747	0	1059	0.07246	-5		
1Q 05E	1048	5	1.00	10430.03110	-20	1063	0.07207	-15		
2Q 05E	1059	5	1.00	10540.00533	-10	1064	0.02342	-5		
3Q 05E	1065	-5	1.00	10700.00717	0	1070	0.00717	-5		
4Q 05E	1066	-5	1.00	10710.01136	10	1061	0.00191	5		

\* SAAR = seasonally-adjusted annual rate

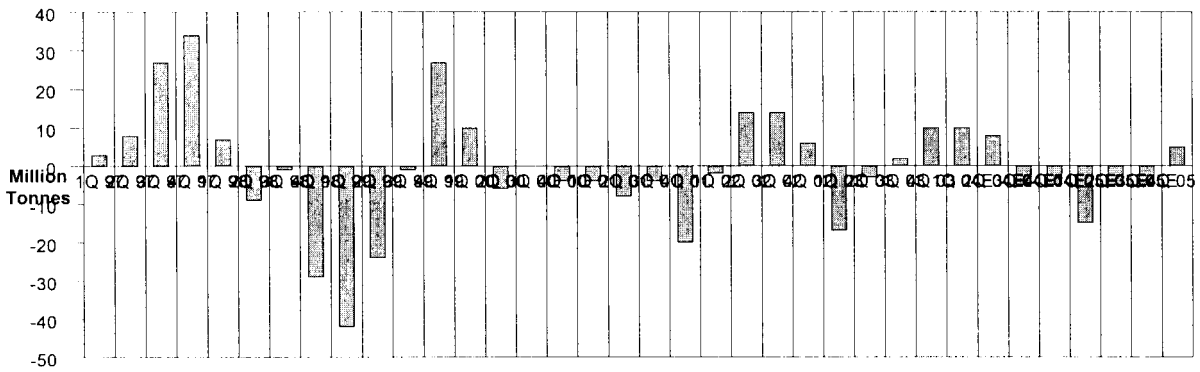
Year	Crude Steel Production	Less: Steel Mill Inventory Addition	Ratio: Crude to ASC	Equals: Apparent Steel Consumption	Minus: User Inventory Addition	Equals: Steel Consumption	Year on Year % Change in Consumption
1993	728	14	1.02	714	-1	715	
1994	725	3	1.00	7220.01169	11	711	-0.00510
1995	752	-5	0.99	7570.04769	-2	759	0.06670
1996	750	12	1.02	7390.02375	-4	743	-0.02105
1997	799	10	1.01	7890.06815	8	781	0.05163
1998	777	-3	1.00	7800.01131	-5	785	0.00522
1999	789	-8	0.99	7970.02115	-2	799	0.01719
2000	849	3	1.00	8460.06213	-3	849	0.06322
2001	851	-5	0.99	8560.01182	-4	860	0.01295
2002	903	3	1.00	9000.05130	5	895	0.04060
2003	962	-2	1.00	9640.07140	0	964	0.07738
2004E	1040	-8	0.99	10480.08678	10	1038	0.07641
2005E	1060	0	1.00	10600.01084	-5	1065	0.02540
2006E	1112	0	1.00	11120.04955	0	1112	0.04462
2010E	1240	0	1.00	12400.00977	0	1240	0.02878 per annum since 2006

Source: IISI for historical steel production and WSD's GSA for annual apparent steel consumption figures.

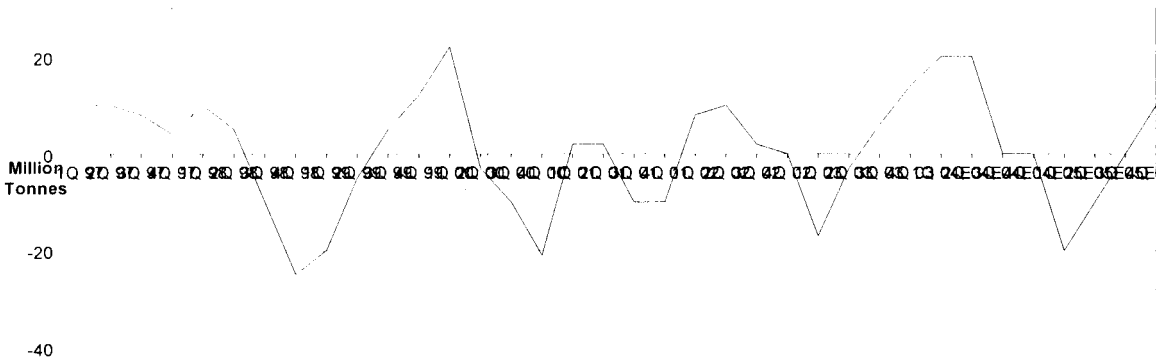
Global Steel Production and Consumption



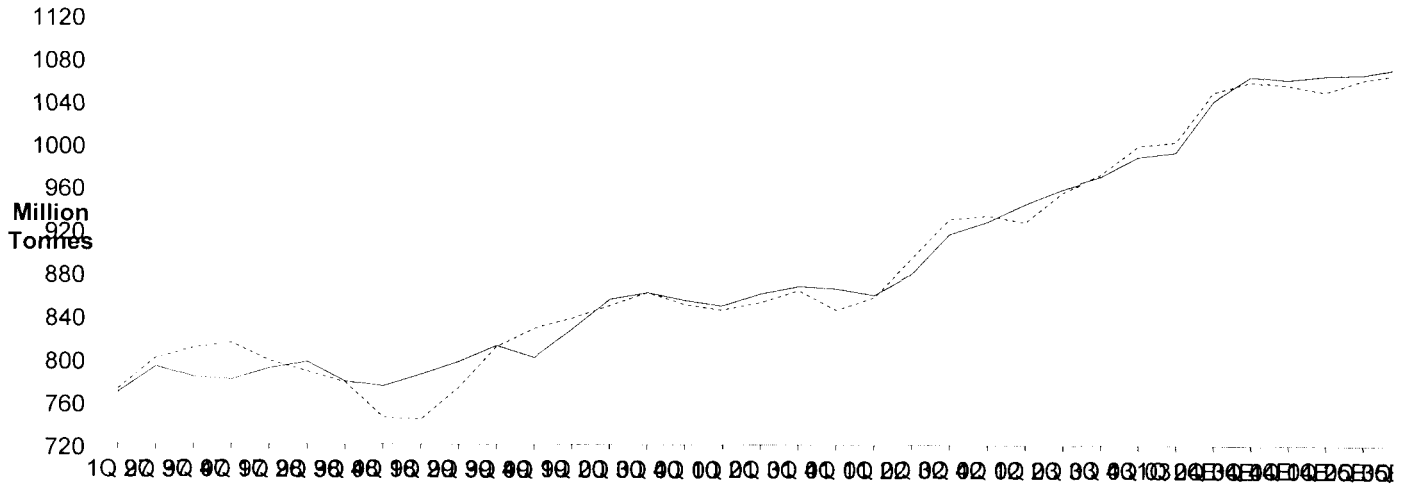
Steel Production Minus Steel Consumption



Inventory Changes

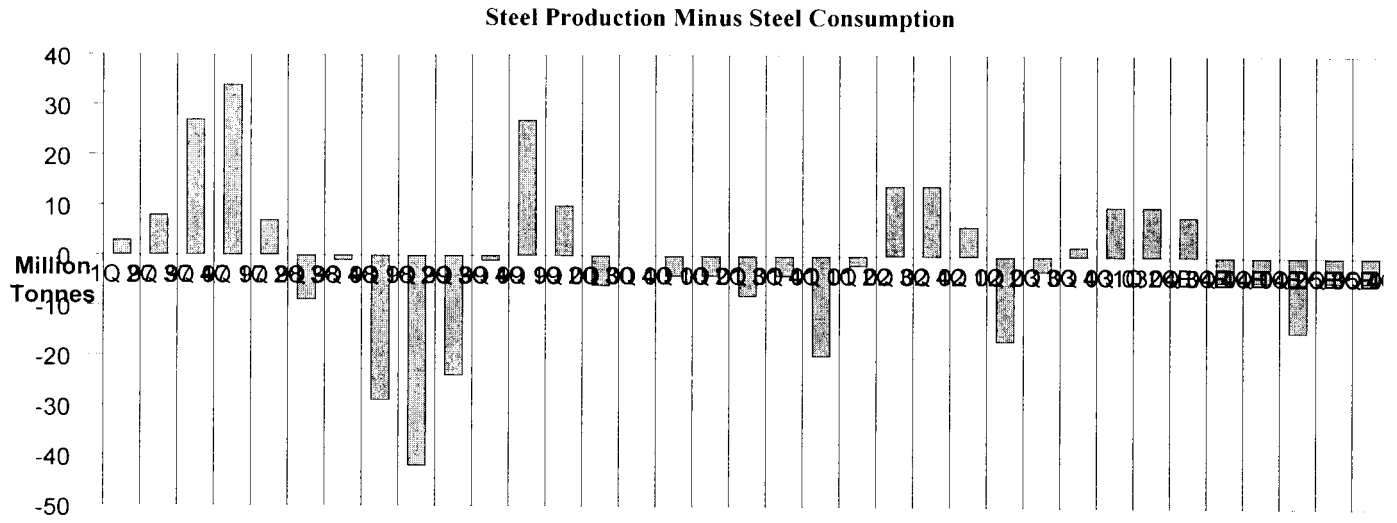


Global Steel Production and Consumption

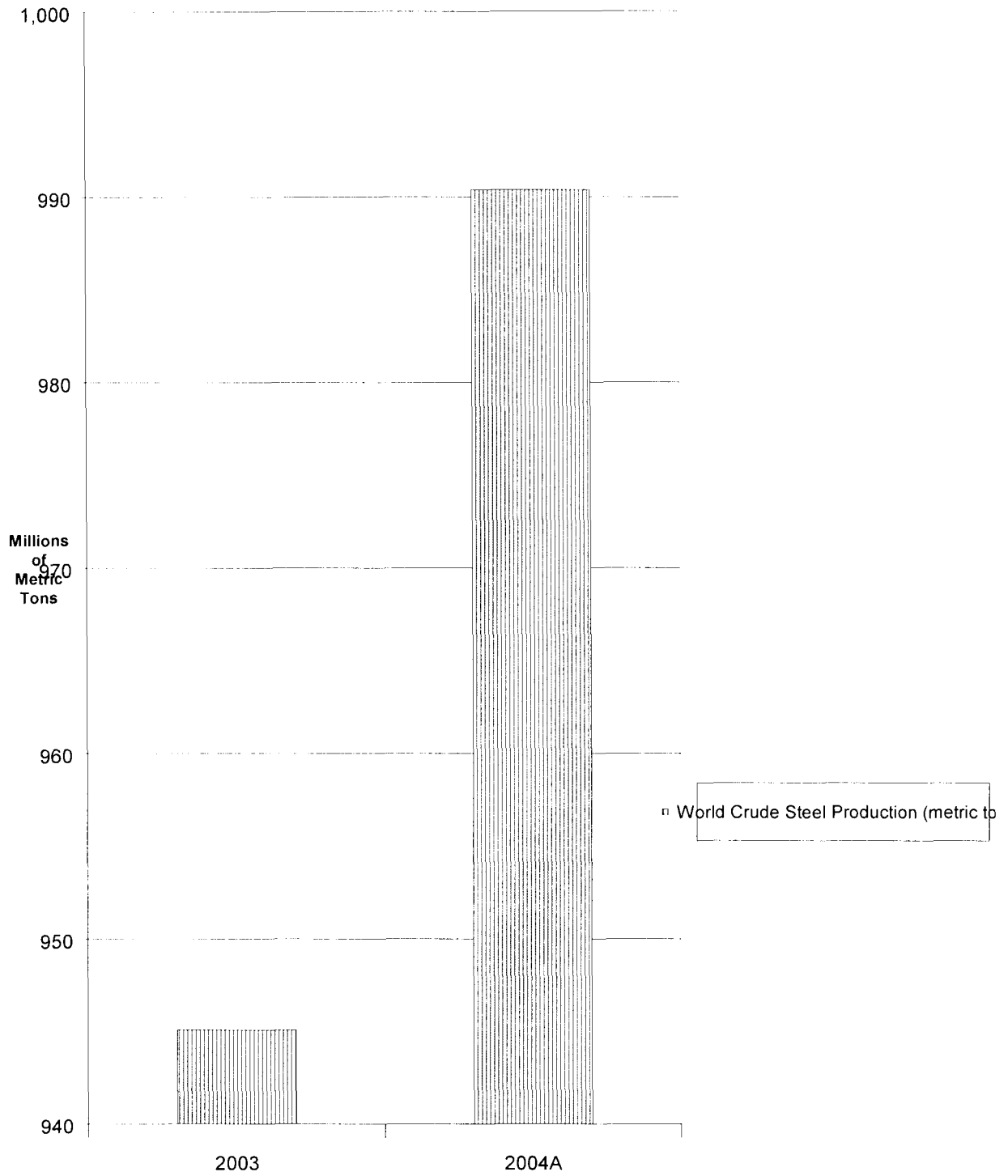


### Inventory Changes

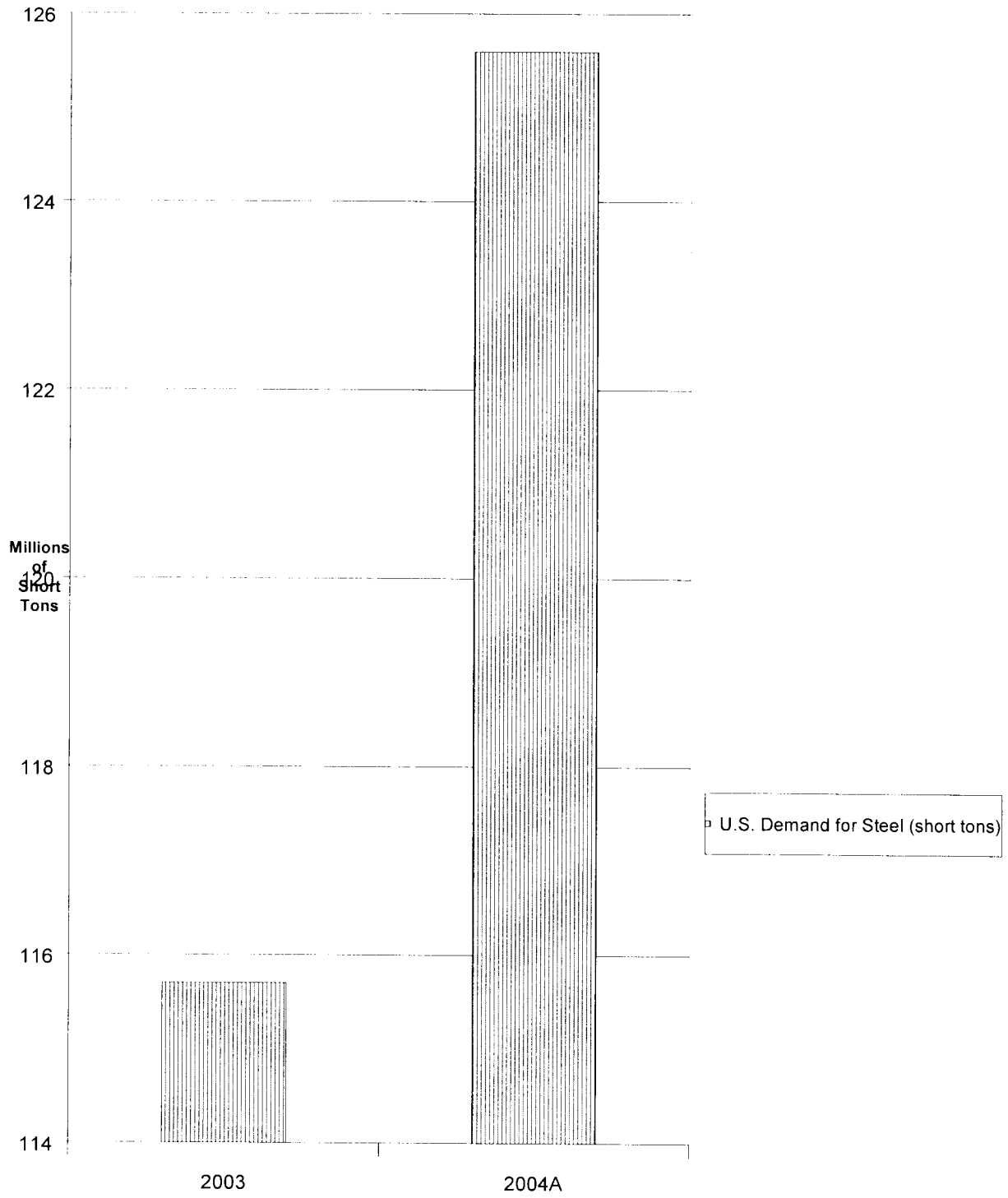




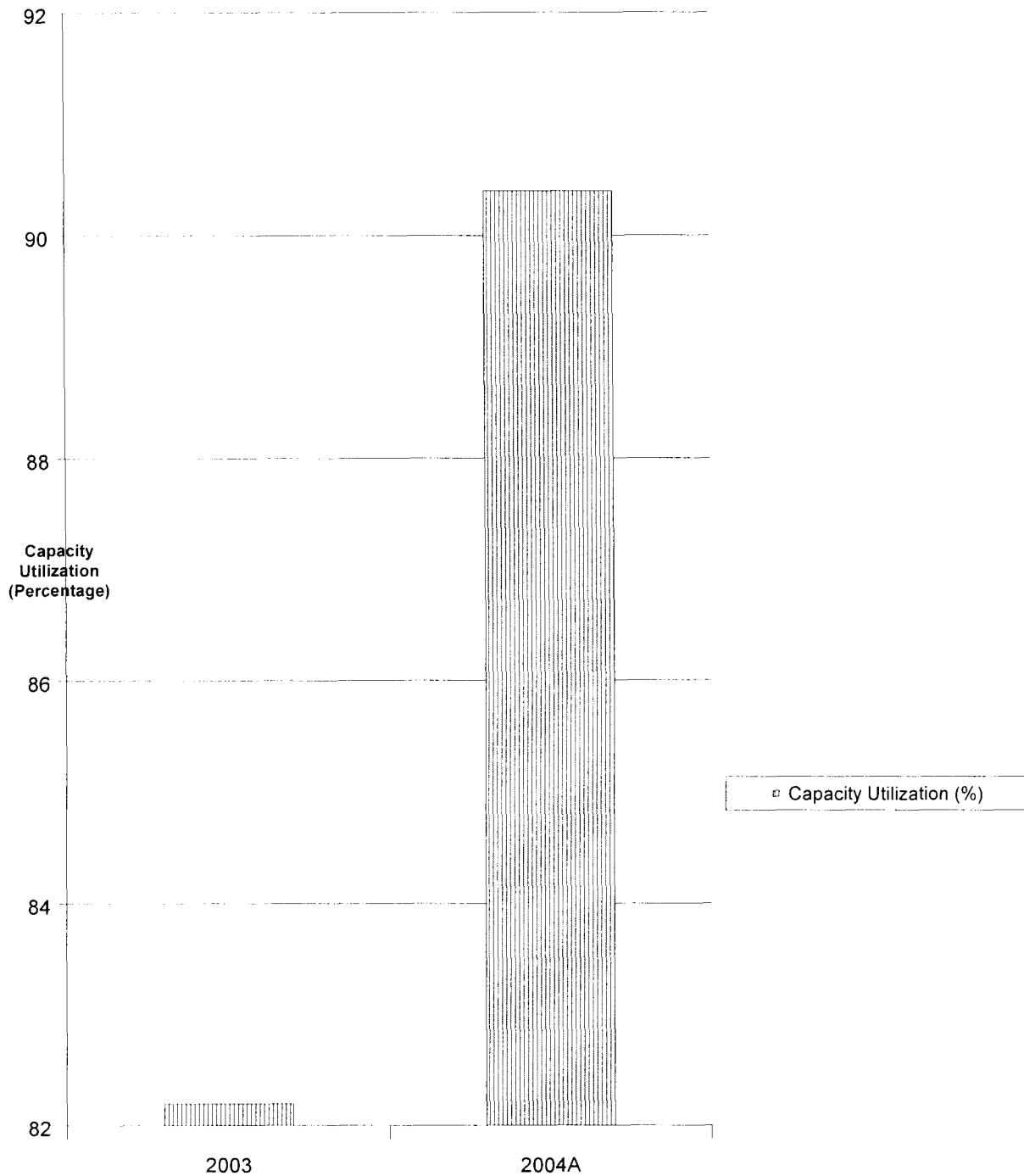
### World Steel Production Is Surging



### U.S. Demand For Steel Is Surging



### U.S. Steel Industry Capacity Utilization Has Increased To Satisfy Increased Demand For Steel





**Accompanying Chart Data**

	2003	2004A
World Crude Steel Production (metric tons)	945.1	990.4
U.S. Demand for Steel (short tons)	115.7	125.6
Capacity Utilization (%)	82.2	90.4 (1Q)

82.2      90.4



**ERAMET**  
M A R I E T T A

the  
**MANGANESE**  
SOURCE

July 26, 2004

William J. Denk  
Co-Chair  
Stockpile Market Impact Committee  
Office of Strategic Industries and Economic Security  
Room 3876  
Bureau of Industry and Security  
U.S. Department of Commerce  
14<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Re: National Defense Stockpile Market Impact Committee - Comments on the Proposed  
Stockpile Disposals Ferromanganese in FY 2005  
Federal Register Notice June 25, 2004

To William Denk:

Eramet Marietta Inc. is the sole domestic producer of High Carbon Ferromanganese (HCFeMn). The company, located in Marietta, Ohio, submits comments to the Market Impact Committee (MIC) and opposes the Department of Defense's proposed changes for FY 2005 to increase HCFeMn disposals to 100,000 tons per year. The Federal Register Notice states that significant supply shortfalls in global and domestic markets necessitate the increase in disposal. This is simply and clearly not the case for ferromanganese. Eramet is aware that Congress is taking action to possibly increase the ceiling established in FY 2001 for FY 2005 disposals of 50,000 tons per year (tpy). Congress took this step as a result of erroneous claims made to Members of Congress about allocations in early 2004 of HCFeMn which never occurred (the allocations involved a different product, silicomanganese), and claims that high prices were responsible for dramatic increases in raw and finished steel costs. This second claim is unfounded because less than 12 pounds of ferromanganese is used in a ton of steel. Frankly, Congress was too quick in acting to raise the ceilings, which at this writing are still proposed in the House and Senate FY 2005 authorization bills and are not yet Public Law.

Consider the logic the Federal Government uses with the Strategic Petroleum Reserve and the restraint in opening the reserve despite cries from the public and some in Congress in an attempt to get the Administration to alleviate temporary price increases. It is the stated policy of the Federal Government not to react to temporary oil price increases with releases from strategic reserves. Why should ferromanganese be treated any different from oil? Eramet objects to the proposed increase of HCFeMn sales and recommends the Committee retain the entire balance of in-grade HCFeMn in

the DNS inventory for the purpose of war mobilization steel making. As a first alternative, Eramet Marietta requests the Committee adopt a position that HCFeMn sales be reduced to maximum level of 25,000 tons per FY. Second, given the company's unique position of being the sole HCFeMn producer in the US, Eramet Marietta requests that the DNS award the company the right of first refusal for any HCFeMn sales made in FY 2004 and FY 2005.

There are two reasons for Eramet Marietta's objections to the increase of HCFeMn sales. First, the proposed sale of HCFeMn stockpiles would disrupt world and domestic manganese markets. The increased supply of HCFeMn would drive down prices and endanger the business operations of Eramet Marietta. Secondly, if the DNS sells an additional 50,000 tons of HCFeMn, potential modernization investment projects at Eramet Marietta will likely be abandoned. Modernization projects include multi-million dollar equipment upgrades of furnaces and other facilities, which are required to keep the company in business.

Senator Robert Byrd (D-WV) was successful in obtaining language in the pending Senate FY 2005 Defense Authorization requiring increased sales of ferromanganese beyond 50,000 tons be completed in 25,000 ton offerings and only after: first, certification by the Secretary of Defense that such increased disposals are in the National Interest and the disposal of ferromanganese under such paragraph is due to extraordinary circumstances in markets for ferromanganese; and second, the disposal of ferromanganese ferroalloys under such paragraph will not cause undue harm to domestic manufacturers of ferroalloys. Eramet, the sole domestic producer, contends that any increase in sales will cause undo harm and that supply concerns for ferromanganese and like ferroalloys have long subsided. The recent spikes in HCFeMn prices were the result of temporary supply shortages driven by an unprecedented demand by the Chinese steel industry. The attached graphs show that prices have peaked and have dropped in the last few months.

### **Eramet Marietta Inc.**

In July 1999, Eramet acquired the manganese business of the Norwegian producer Elkem. The purchase included three industrial plants (Marietta, Ohio and Sauda and Porsgrunn, Norway), which were consolidated to form Eramet Manganese Alliances. Eramet Marietta Inc. is a wholly owned subsidiary of Eramet Manganese Alliances, which is 69.5% owned by Eramet Holding Manganese, a wholly owned subsidiary of Eramet S.A., a public limited company under the laws of France. The company employs approximately 5,800 people internationally with Eramet Marietta Inc. presently employing 425. Eramet Manganese, through its affiliate Comilog S.A., holds mining reserves in the Moanda mine located in Gabon, West Africa with a production capacity of 2.5 million tons per year and reserves in excess of 100 years. The mine source allows the vertical integration necessary to guarantee long term security and competitiveness. Prior to the Eramet acquisition, the Marietta furnaces relied heavily on the DNS as a key supplier of manganese ores. This was done through the FRUP conversion program from 1984 to 1994 and by continued outright purchases of ore during the period 1994 to 2003.

Eramet Manganese leads the world in manganese ferro-alloys production with an annual capacity in excess of 1.1 million tons. The company produces and sells the full range of manganese products to the steel industry: Mn Ore, HCFeMn, MCFeMn, LCFeMn, SiMn, and LCSiMn. In

addition to manganese, Eramet produces and sells a variety of manganese compounds: Mn-Al briquettes, Electrolytic Manganese Dioxide, MnO, MnSO<sub>4</sub>, Mn<sub>3</sub>O<sub>4</sub>, MnChloride and other chemical compounds. Non-manganese products from company affiliates include Electrolytic Chrome Metal, LC Ferrochrome, Molybdenum, Vanadium, Carbon Black and Aluminum Hardeners. Eramet Manganese also engages in the recycling of petroleum catalysts, batteries and copper.

Eramet's facilities for producing manganese ferro-alloys are in close proximity to world steel and aluminum markets. Materials are dispatched from eight sites in Europe, America and Asia. These diverse geographical locations ensure prompt distribution worldwide.

### **The Relationship Between DLA Sales and the Decline of HCFeMn Prices.**

The price of HCFeMn is directly related to the output of the steel industry. Due to a slowdown in steel production, prices for HCFeMn were low in the last quarter of 2001 and the first half of 2002. When steel production rose in mid-2002, prices for HCFeMn also rose. However, when DLA stockpile sales began during the last quarter of 2002, the price of HCFeMn decreased (Tables A1, A5 and Graphs A2, A3, A4, A6). The price decline can clearly be seen in Graph A6. Simply, increases in supply, brought about by DLA sales, acted to drive down prices for HCFeMn.

In addition, the sale of DLA HCFeMn stocks severely curtails the amount of domestic U.S. sales available to Eramet Marietta. There is an inelastic demand for HCFeMn. When the DLA increases sales, it invariably reduces the amount of sales available to Eramet Marietta.

The amounts set for disposal suggested in the revised AMP for FY 2004 and FY 2005 are excessive. The US market for HCFeMn is approximately 275,000 tons per year. The proposed DLA sale of 50,000 tons therefore equals approximately 20% of the US market. A 20% share is very significant. Eramet Marietta operates on negligible margins and struggles to remain competitive in the domestic and global marketplaces where developing nations can undersell Eramet to a significant degree.

Therefore, the proposed sale of an additional 50,000 tons of HCFeMn will clearly have an extraordinarily negative effect on Eramet Marietta, the nation's only domestic producer of HCFeMn. The proposed sales undermine business operations by simultaneously driving down the price of HCFeMn, while at the same time, significantly reducing the quantity of product the company can sell.

### **Facility Upgrades**

Increased DLA sales lead to a decrease of Eramet Marietta sales. Decreased sales for Eramet Marietta translate into decreased profits. Decreased profits mean that company management must manage the budget to meet company requirements and employee payroll. One significant project about to be undertaken is a vital multimillion-dollar renovation of existing furnaces and other equipment. If HCFeMn prices and sales decrease, management will have to re-examine the negative impact on projected Internal Rate of Returns, which could lead to cancellation of several critical investments and ultimate closure of the Marietta facility.

### Quality Concerns

The quality of the DNS material as established in law is stipulated to have minimum manganese content of 76% but is not to exceed 78%. Current purchase specifications from major steel companies generally mandate a minimum manganese content of 78%. Although the deficiency is slight, it is enough that Eramet Marietta Inc. is concerned the DNS material will lead to significant market discounting and shifting of domestic manganese unit demand away from higher grade products.

### Congressional Ferroalloy Support

The Marietta, Ohio operations that produce HCFeMn have completed the transition process from being a defense contractor (1984 to 1994 FRUP) to supplying commercial production. The transition success is demonstrated by the shift to a private sector client base. The success in making the transition at Marietta is in part due to the Defense Logistics Agency (DLA) policy of selling off-grade HCFeMn (manganese content below 76%) to Elkem and successor Eramet Marietta Inc. The disposal policy is stipulated in Public Law 104-106. In entering into the Ferroalloy Upgrade Program (FRUP) following the 232 Trade Investigation determinations in the 1980's that it is in the United States' National Defense interest to maintain a domestic ferroalloy smelting capacity, the company was advised the Stockpile would hold the HCFeMn produced under FRUP indefinitely. Congress continues to strictly limit the quantity and quality nature of HCFeMn material allowed for disposal in favor of preserving that same domestic capacity. The plant's five-year Operating Plan for ownership transition from Elkem to Eramet Marietta was based on disposals of off-grade HCFeMn for remelting through December 2003, and no sales of in-grade HCFeMn from DNS stockpiles. DNS sales of stockpile grade HCFeMn will be disruptive to domestic markets. In two cases, industries have closed after losing Congressional support. It should be noted that the longtime HCFeCr ferroalloy producer MacAlloy, also a participant in the FRUP, closed operations. Second, the commencement of stockpile sales of tungsten concentrates forced the last United States integrated tungsten mine and mill to close operations and auction off the plant and equipment.

The same foreign competition and import sensitivity which precipitated the 10-year FRUP for ferromanganese continues to impact the plant's operation. Import penetration for HCFeMn still stands at approximately 80% to 90% of domestic consumption. Eramet Marietta Inc. continuously seeks to lower labor, raw material and electric power costs to meet the foreign competition. The presence of the DNS as another competitor will negate the improvements that have occurred and are being planned at Eramet Marietta that have allowed us to meet the foreign competition since 1994. It should be noted that the DNS is proposing to sell the same ferromanganese that Elkem/Eramet converted in the 10 year FRUP program.

Eramet strongly recommends the balance of in-grade material in the DNS inventory never be offered and should be held in inventory indefinitely for war mobilization steel making and to preserve the last U.S. facility capable of smelting manganese ferroalloys Eramet Marietta requests the DNS discontinue sales of in-grade HCFeMn. A viable domestic ferromanganese industry is vital to the United States economic security. Manganese is an essential ingredient in the production of steel. Steel cannot be produced without ferromanganese. The Eramet Marietta Inc. facility is the only operating ferromanganese production plant in the U.S. and Canada. A closure of the Marietta

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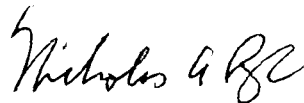
Plant would make the United States steel industry totally dependent on imports to supply this essential and strategic component of steel production. This could be critical during future global shortages and national emergencies. In addition, the United States industrial base would be further weakened and the unique technology and specialized human skills necessary to produce ferromanganese lost forever.

### Planning for the Future and Conclusion

A comprehensive strategic plan has been developed for the facility through the year 2009. The plan includes cost improvements, market/sales objectives, capital expenditures, new product development and other elements necessary to maintain a successful operation in the commercial market. A key component of the success of Eramet Marietta's strategic plan is the cooperation of the DNS in managing the stockpiled HCFeMn to not allow a dramatic impact on the supply and price of manganese alloys. Eramet Marietta Inc. appreciates the Market Impact Committee's support in its transition from being a defense contractor to a commercially viable producer, while still maintaining a core segment of the nation's vital industrial base. We need continued assurance that the DNS will not dramatically disrupt our ability to supply manganese alloys to the North American market by selling HCFeMn in direct competition with Eramet. We need this assurance for the future viability of the Marietta Plant.

In conclusion, Eramet Marietta Inc. has demonstrated its concerns with the quantities of HCFeMn disposals and how this will serve to undermine current operations and proposed plant maintenance. We request the DNS's 50,000-ton increase proposed in the revised FY 2005 AMP for HCFeMn disposals be denied and sales of all stockpile grade HCFeMn be suspended indefinitely.

Sincerely,



Nicholas A. Pyle, Government Relations  
Eramet Marietta, Inc.

Attachment - Graph

