

**RECORD OF COMMENTS: NATIONAL DEFENSE STOCKPILE MARKET
IMPACT COMMITTEE REQUEST FOR PUBLIC COMMENTS ON THE
POTENTIAL MARKET IMPACT OF PROPOSED STOCKPILE DISPOSALS IN
FY 2005 AND FY 2006**

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(Due December 17, 2004)

COMMENT	SOURCE	SIGNER(S) OF LETTER	DATE	NUMBER OF PAGES
1	<u>Osram Sylvania</u>	David R. Vine & Dean J. Schiller	October 25, 2004	2
2	<u>Eramet Marietta</u>	Nicholas A. Pyle	December 17, 2004	5

new building (emphasis added).” In addition, 7 CFR 1776.14(d), states that “The water well system being funded from the proceeds of the HWWSP loan may not be associated with the construction of a new dwelling.” RUS feels that language in the HWWSP is adequate to preclude the construction of new houses in special flood hazard areas.

RUS has determined that the PEA was prepared and reviewed in accordance with the National Environmental Policy Act, as amended (42 U.S.C. 6941 *et seq.*); the Council on Environmental Quality Regulations for Implementing the Procedural Provisions of the National Environmental Policy Act (40 CFR part 1500); and 7 CFR 1794, RUS’ Environmental Policies and Procedures and that the HWWSP will not have a significant impact on the human environment and for which an Environmental Impact Statement will not be prepared.

The mitigation measures identified in the PEA will be incorporated in executed grant agreements. The mitigation measures are as follows:

1. Floodplains

The grant recipient will complete FEMA Form 81–93, Standard Flood Hazard Determination Form for all loans. If a household is located in a special flood hazard area (Code A and V), the revolving loan fund recipient must have flood insurance and the grantee shall obtain flood insurance certifications as part of the revolving loan fund closing process.

2. Water Quality Issues

HWWSP funded projects will be built by contractors that are appropriately licensed to do the work in the State where the project is located. Water withdrawal permits will be obtained as required by the appropriate State or local regulatory agency.

3. Coastal Resources

The grant recipient will obtain written approval from the U.S. Fish and Wildlife Service before approving any proposed loans located in Coastal Barrier Resources System units.

Gary J. Morgan,

Assistant Administrator, Water and Environmental Programs, Rural Utilities Service.

[FR Doc. 04–25447 Filed 11–16–04; 8:45 am]

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DEPARTMENT OF COMMERCE

Bureau of Industry and Security

[Docket No. 041103305–4305–01]

National Defense Stockpile Market Impact Committee Request for Public Comments on the Potential Market Impact of Proposed Stockpile Disposals in FY 2005 and FY 2006

AGENCY: Bureau of Industry and Security, Department of Commerce.

ACTION: Notice of inquiry.

SUMMARY: The purpose of 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 changes in the disposal levels of excess materials under the Fiscal Year 2005 Annual Materials Plan and proposed disposal levels under the Fiscal Year 2006 Annual Materials Plan. Comments received in response to this notice will be taken into consideration by the National Defense Stockpile Market Impact Committee when it meets to discuss recommendations to the National Defense Stockpile Manager regarding the disposition of materials in the National Defense Stockpile.

DATES: Comments must be received by December 17, 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.

FOR FURTHER INFORMATION CONTACT: Contact either Eddy Aparicio, Office of Strategic Industries and Economic Security, Bureau of Industry and Security, U.S. Department of Commerce, telephone: (202) 482–8234; e-mail: eaparici@bis.doc.gov; or E. James Steele, Co-chair, Stockpile Market Impact Committee, Office of Bilateral Trade Affairs, Bureau of Economic and Business Affairs, U.S. Department of State, fax: (202) 647–8758; e-mail: steeleej2@state.gov.

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. 98b–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 Homeland Security, 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.”

In Attachment 1, the Defense National Stockpile Center (DNSC) lists the current quantities in the stockpile inventory, the previously approved FY 2005 AMP quantities for five materials, and the proposed revisions to the FY 2005 AMP for five materials. In Attachment 2, the proposed quantities for the FY 2006 AMP are enumerated. The Committee is seeking public comments on the potential market impact of the sale of these materials.

The quantities listed in Attachments 1 and 2 are not disposal or sale target quantities. They are only a statement of the proposed maximum disposal quantity of each listed material that may be sold in a particular fiscal year by the DNSC. 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 commodities. Although comments in response to this Notice must be received by December 17, 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 record. 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 site found at <http://www.bis.doc.gov/foia/default.htm>.

Copies of the public comments received will be maintained on the Web site. If requesters cannot access the Web site, they may call (202) 482-2165 for assistance.

Dated: November 12, 2004.

Peter Lichtenbaum,

Assistant Secretary for Export Administration.

Attachment 1

PROPOSED REVISIONS TO FY 2005 ANNUAL MATERIALS PLAN

Material	Unit	Current FY 2005 (quantity)	Previously approved FY 2005 (quantity)	Proposed revised FY 2005 (quantity)
Aluminum Oxide, Abrasive	ST	6,000		
Bauxite, Metallurgical Jamaican	LDT	0	³ 2,000,000	
Bauxite, Metallurgical Surinam	LDT	0		³ 400,000
Bauxite, Refractory	LCT	¹ 43,000		
Beryl Ore	ST	¹ 4,000		
Beryllium Metal	ST	40		
Beryllium Copper Master Alloy	ST	¹ 1,200		
Cadmium	LB	¹ 0		
Celestite	SDT	6,000		
Chromite, Chemical	SDT	² 100,000		
Chromite, Refractory	SDT	² 100,000		
Chromium, Ferro	ST	110,000		
Chromium, Metal	ST	500		
Cobalt	LB Co	6,000,000		
Columbium Concentrates	LB Cb	² 560,000		
Columbium Metal Ingots	LB Cb	² 20,000		
Diamond Stone	ct	² 400,000		¹² 520,000
Fluorspar, Acid Grade	SDT	12,000		
Fluorspar, Metallurgical Grade	SDT	60,000		
Germanium	Kg	² 8,000		
Graphite	ST	0		¹ 60
Iodine	LB	1,000,000		
Jewel Bearings	PC	¹ 82,051,558		
Kyanite	SDT	0		
Lead	ST	¹ 60,000		
Manganese, Battery Grade, Natural	SDT	30,000		
Manganese, Battery Grade, Synthetic	SDT	¹ 3,011		
Manganese, Chemical Grade	SDT	¹ 40,000		
Manganese, Ferro	ST	50,000	² 100,000	
Manganese, Metal, Electrolytic	ST	¹ 2,000		
Manganese, Metallurgical Grade	SDT	250,000	³ 500,000	
Mica, All	LB	¹ 1,000,000		
Palladium	Tr Oz	² 100,000		
Platinum	Tr Oz	² 25,000		
Platinum—Iridium	Tr Oz	6,000		
Quartz Crystals	Lb	¹ 25,000		
Quinidine	OZ	0		⁴ 21,000
Sebacic Acid	LB	¹ 600,000		
Talc	ST	¹ 1,000		
Tantalum Carbide Powder	LB Ta	² 4,000		
Tantalum Metal Ingots	LB Ta	140,000		
Tantalum Metal Powder	LB Ta	² 40,000		
Tantalum Minerals	LB Ta	² 500,000		
Tantalum Oxide	LB Ta	² 20,000		
Thorium	LB	7,100,000		
Tin	MT	12,000		
Titanium Sponge	ST	¹ 7,000		
Tungsten Ferro	LB W	² 300,000		
Tungsten Metal Powder	LB W	² 300,000		
Tungsten Ores & Concentrates	LB W	² 4,000,000	² 5,000,000	
VTE, Chestnut	LT	¹ 250		¹ 500
VTE, Quebracho	LT	20,000	6,000	
VTE, Wattle	LT	¹ 6,500		
Zinc	ST	50,000		

¹ Actual quantity will be limited to remaining inventory.

- ² Actual quantity will be limited to remaining sales authority. Additional sales authority is pending with Congress.
³ Represents inventory sold by DNSC, but not yet shipped.
⁴ Proposed for disposal by DNSC.

Attachment 2

PROPOSED FY 2006 ANNUAL MATERIALS PLAN

Material	Unit	FY2006 (quantity)
Aluminum Oxide, Abrasive	ST	¹ 6,000
Bauxite, Metallurgical Jamaican	LDT	³ 2,000,000
Bauxite, Metallurgical Surinam	LDT	³ 400,000
Bauxite, Refractory	LCT	³ 43,000
Beryl Ore	ST	³ 4,000
Beryllium Metal Vacuum Cast	ST	³ 40
Beryllium Copper Master Alloy	ST	³ 1,200
Celestite	SDT	6,000
Chromite, Chemical	SDT	³ 100,000
Chromite, Refractory	SDT	³ 100,000
Chromium, Ferro	ST	110,000
Chromium, Metal	ST	500
Cobalt	LB Co	¹ 6,000,000
Columbium Concentrates	LB Cb	² 560,000
Columbium Metal Ingots	LB Cb	² 20,000
Diamond Stone	ct ¹²	520,000
Fluorspar, Acid Grade	SDT	¹ 12,000
Fluorspar, Metallurgical Grade	SDT	¹ 60,000
Germanium	Kg	8,000
Graphite	ST	¹ 60
Iodine	LB	1,000,000
Jewel Bearings	PC	¹ 82,051,558
Lead	ST	¹ 60,000
Manganese, Battery Grade, Natural	SDT	¹ 30,000
Manganese, Battery Grade, Synthetic	SDT	¹ 3,011
Manganese, Chemical Grade	SDT	¹ 40,000
Manganese, Ferro	ST	² 100,000
Manganese, Metal, Electrolytic	ST	³ 2,000
Manganese, Metallurgical Grade	SDT	500,000
Mica, All	LB	¹ 1,000,000
Palladium	Tr Oz	¹ 100,000
Platinum	Tr Oz	¹ 25,000
Platinum—Iridium	Tr Oz	6,000
Quartz crystals	Lb	³ 25,000
Quinidine	OZ	⁴ 21,000
Talc	ST	¹ 1,000
Tantalum Carbide Powder	LB Ta	² 4,000
Tantalum Metal Ingots	LB Ta	¹ 40,000
Tantalum Metal Powder	LB Ta	¹ 40,000
Tantalum Minerals	LB Ta	² 500,000
Tantalum Oxide	LB Ta	² 20,000
Thorium	LB	7,100,000
Tin	MT	12,000
Titanium Sponge	ST	7,000
Tungsten Ferro	LB W	² 300,000
Tungsten Metal Powder	LB W	² 300,000
Tungsten Ores & Concentrates	LB W	² 5,000,000
VTE, Chestnut	LT	¹ 500
VTE, Quebracho	LT	6,000
VTE, Wattle	LT	¹ 6,500
Zinc	ST	50,000

- ¹ Actual quantity will be limited to remaining inventory.
² Actual quantity will be limited to remaining sales authority. Additional sales authority is pending with Congress.
³ Represents inventory sold, but not yet shipped.
⁴ Proposed for disposal by DNSC.



October 25, 2004

Mr. William Denk
Co-Chair, Stockpile Market Impact Committee
Bureau of Industry Security, U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, DC 20230

Dear Mr. Denk,

It has come to our attention that the Defense National Stockpile Center of the Defense Logistics Agency (DLA) is contemplating a concept to take tungsten ore and concentrates, under its custody, and convert all or a portion thereof to tungsten powder or some other form of downstream materials. These downstream materials would then be offered for public sale. SYLVANIA strongly objects to this plan as negatively impacting the Tungsten manufacturing industry.

The current offering of Tungsten in the form of ore concentrates supports the market need for raw materials. Ore concentrates are in short supply in the Western world, and the DLA sales supplement the Western supply. A number of plants, including your major consistent customers OSRAM SYLVANIA Products Inc. ("SYLVANIA") and H.C. Starck, depend on this raw material supply. **The current offering of Tungsten Concentrates supports the industrial base.**

A plan to upgrade the material and then offer value Tungsten products through DLA sales would reduce the amount of needed ore concentrates to the market, and would in fact compete with the existing industrial base (and your historic customers) in selling the value added products. **The plan under consideration for the DLA sale of upgraded Tungsten products will compete with, and materially negatively effect, the industrial base.**

This scheme may have a very serious detrimental effect on an industry that is already bruised by practice of outsourcing government requirements for tungsten-based products to foreign suppliers, including China.

The Congressional authorization for the disposal of the tungsten stockpile has two provisions that are relevant to this consideration of upgrading. (Title XXXIII – National Defense Stockpile, section 3303.)

- Minimization of Disruption and Loss – The President may not dispose of materials under subsection (a – Incl. Tungsten) to the extent that the disposal will result in –*
- 1) Undue disruption of the usual markets of producers, processor, and consumers of the materials proposed for disposal or*
 - 2) Avoidable loss to the United States.*

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Upgrading ore concentrates in the stockpile would not only cause "undue disruption" in the marketplace; moreover it would cause grave harm to the Western producers of Tungsten products. *Eighty percent (80%) of the world's tungsten ore concentrates is produced in the People's Republic of China.* Through export license control, the Chinese government has effectively banned the export of ore concentrates to the Western world. There has been no U.S. mining of Tungsten ore since 1991, and other major stockpiles (Russia) have been depleted.

SYLVANIA's Towanda, PA Operation is a key US industrial base asset. SYLVANIA supplies DoD with Tungsten products and is the only remaining fully integrated Tungsten products supplier in North America. SYLVANIA consumes ore concentrates as a major raw material, chemically refines Tungsten to make chemicals and metal powders, and produces Tungsten-based products for DoD. SYLVANIA's first option for DoD programs is to utilize available DLA ore concentrates in compliance with the FAR. DLA sales in competition to the existing industrial base weaken and imperil this critical supply chain and are not in the best interests of the US.

In summary, it is our opinion that the DLA's plan to upgrade Tungsten would unduly alter the dynamics of its role in the tungsten marketplace. SYLVANIA considers the implementation of such a program to be a clear violation of that Agency's charter. It would cause great harm and injury to the free-world tungsten industry and to the United States industrial base.

We request that the Market Impact Committee communicate to the Defense National Stockpile Center that such concepts are harmful to, and imperil, the US tungsten industry and industrial base.

Sincerely,

David R. Vine
Director of Sales & Marketing
Precision Materials and Components

Dean J. Schiller
Manager of Purchasing
Materials Operation – Towanda

CC: Cornel A. Holder, DNSC; Cheryl A. Deister, DNSC-C; Rick A. Talbott, DNSC-C;
Franklin J. Ringquist, DNSC-M

The Honorable Rick Santorum, U.S. Senator, Pennsylvania

The Honorable Arlen Specter, U.S. Senator, Pennsylvania

The Honorable Donald Sherwood, U.S. Representative, Pennsylvania, 10th District

Rich Palaschak – Munitions Industrial Base Task Force (MIBTF)

Matt Zimmerman – Director, Industrial Base, Program Executive Office for Ammunition

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ERAMET
MARIETTA

the
MANGANESE
SOURCE

December 17, 2004
Eddy Aparicio, 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, N.W.
Washington, D.C. 20230

Re: National Defense Stockpile Market Impact Committee - Comments on the Proposed Stockpile Disposals Ferromanganese in FY 2006
Federal Register Notice November 17, 2004 – Docket ID 041103305-4305-01

To Market Impact Committee Members:

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 2006 to set HCFeMn disposals at 100,000 tons per year. While the market for HCFeMn did suffer temporary supply shortfalls in global and domestic markets in 2005, these certainly were not enough to necessitate the increase in FY 2005 disposal authority and this proposed action for FY 2006. Eramet is aware that Congress took action to 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 supplier 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 "scapegoat" 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. A review of our attached Graph illustrates how the market has fluctuated and is presently on a downward spiral. Our concern is that the present 50,000 tons additional tender of HCFeMn will only collapse prices further.

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 in FY 2005 the DNS sells an additional 50,000 tons and establishes a baseline of 100,000 tons for FY 2006 for HCFeMn, potential modernization investment projects at Eramet Marietta will likely be threatened. Modernization projects include multi-million dollar equipment upgrades of furnaces and other facilities, which are required to keep the company competitively viable.

Senator Robert Byrd (D-WV) was successful in obtaining language in the 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 undue harm and that supply concerns for ferromanganese and like ferroalloys have long subsided. The earlier spikes in HCFeMn prices were the result of temporary supply shortages driven by an unprecedented demand by the Chinese steel industry. The attached graph clearly illustrates 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 417. 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, MnSO₄, Mn₃O₄, 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. 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 2005 and FY 2006 are excessive. The US market for HCFeMn is approximately 275,000 tons per year. The proposed DLA sale of 100,000 tons therefore equals approximately 40% of the US market. A 40% 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 FY 2005 sale of an additional 50,000 tons and 100,000 tons in FY 2006 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.

Congressional Ferroalloy Support

The Marietta, Ohio operations that produce HCFeMn 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 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 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 investments. We request the DNS not offer the additional 50,000 ton increase for HCFeMn under the revised FY 2005 AMP and that 2006 AMP disposals be limited to 50,000 tons.

Sincerely,



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

Attachment – Graph

HC FeMn Ave Mid Point

