

PUBLIC COMMENTS

Market Impact Committee

*Potential Market Impact of Proposed Disposals of Excess Materials
from the National Defense Stockpile*

**64 FR 54863
October 8, 1999**

<u>Comment No.</u>	<u>Commentor</u>	<u>Date</u>
MIC-1A (w/Attachments)	Camara Argentino-Paraguaya de Productores de Extracto de Qebracho	September 28, 1999
MIC-1B	(Same)	October 29, 1999
MIC-1C	(Same)	November 1, 1999
MIC-2 (w/Attachment)	Aluminum Company of America	November 1, 1999
MIC-3	Platinum Guild International	November 8, 1999
MIC-3A	(Same)	December 7, 1999
MIC-4	Eramet Marietta	-----
MIC-5 (w/Attachments)	Osram Sylvania	November 4, 1999
MIC-6	Brush-Wellman	November 14, 1999
MIC-7	Shieldalloy Metallurgical Corp.	November 30, 1999

SUMMARY: This action adds to the Procurement List services to be furnished by nonprofit agencies employing persons who are blind or have other severe disabilities.

EFFECTIVE DATE: November 8, 1999.

ADDRESSES: Committee for Purchase From People Who Are Blind or Severely Disabled, Crystal Gateway 3, Suite 310, 1215 Jefferson Davis Highway, Arlington, Virginia 22202-4302.

FOR FURTHER INFORMATION CONTACT: Beverly Milkman (703) 603-7740.

SUPPLEMENTARY INFORMATION: On July 23, August 13 and 27, 1999, the Committee for Purchase From People Who Are Blind or Severely Disabled published notices (64 F.R. 39968, 44198 and 46880) of proposed additions to the Procurement List.

After consideration of the material presented to it concerning capability of qualified nonprofit agencies to provide the services and impact of the additions on the current or most recent contractors, the Committee has determined that the services listed below are suitable for procurement by the Federal Government under 41 U.S.C. 46-48c and 41 CFR 51-2.4.

I certify that the following action will not have a significant impact on a substantial number of small entities. The major factors considered for this certification were:

1. The action will not result in any additional reporting, recordkeeping or other compliance requirements for small entities other than the small organizations that will furnish the services to the Government.

2. The action will not have a severe economic impact on current contractors for the services.

3. The action will result in authorizing small entities to furnish the services to the Government.

4. There are no known regulatory alternatives which would accomplish the objectives of the Javits-Wagner-O'Day Act (41 U.S.C. 46-48c) in connection with the services proposed for addition to the Procurement List.

Accordingly, the following services are hereby added to the Procurement List:

Administrative Services

Office of the U.S. Trade Representative, 1724 F Street, NW and 600 17th Street, NW, Washington, DC

Grounds Maintenance

Fox Island Acoustic Laboratory, 630 3rd Avenue, Fox Island, Washington

Janitorial/Custodial

U.S. Geological Survey, 1209 Orca Street, Anchorage, Alaska

Janitorial/Custodial

Buildings 1714, 1830 and 1831, Fort Polk, Louisiana

Operation of Individual Equipment Element Store

Randolph Air Force Base, Texas

This action does not affect current contracts awarded prior to the effective date of this addition or options that may be exercised under those contracts.

Beverly L. Milkman,
Executive Director.

[FR Doc. 99-26370 Filed 10-7-99; 8:45 am]

BILLING CODE 6353-01-P

BROADCASTING BOARD OF GOVERNORS

Sunshine Act Meeting

DATE AND TIME: October 13, 1999; 9 a.m.-10:30 a.m.; October 14, 1999; 8:30 a.m.-12:00 noon.

PLACE: Cohen Building, Room 3321, 330 Independence Ave., SW, Washington, DC 20547.

CLOSED MEETING: The members of the Broadcasting Board of Governors (BBG) will meet in closed session to review and discuss a number of issues relating to U.S. Government-funded non-military international broadcasting. They will address internal procedural, budgetary, and personnel issues, as well as sensitive foreign policy issues relating to potential options in the U.S. international broadcasting field. This meeting is closed because if open it likely would either disclose matters that would be properly classified to be kept secret in the interest of foreign policy under the appropriate executive order (5 U.S.C. 552b(c)(1), or would disclose information the premature disclosure of which would be likely to significantly frustrate implementation of a proposed agency action. (5 U.S.C. 552b(c)(9)(B)). In addition, part of the discussion will relate solely to the internal personnel and organizational issues of the BBG or the International Broadcasting Bureau. (5 U.S.C. 552b(c)(2) and (6)).

CONTACT PERSON FOR MORE INFORMATION: Persons interested in obtaining more information should contact either Brenda Hardnett or John Lindberg at (202) 401-3736.

Dated: October 6, 1999.

John A. Lindberg,

Legal Counsel and Acting Executive Director.

[FR Doc 99-26566 Filed 10-6-99; 3:14 pm]

BILLING CODE 8230-01-M

DEPARTMENT OF COMMERCE

Bureau of Export Administration

National Defense Stockpile Market Impact Committee Request for Public Comments

AGENCY: Office of Strategic Industries and Economic Security, Bureau of Export Administration, U.S. Department of Commerce.

ACTION: Notice of request for public comment on the potential market impact of proposed disposals of excess commodities currently held in the National Defense Stockpile under the Fiscal Year 2001 Annual Materials Plan (AMP) and revisions to commodity disposals approved under the FY 2000 AMP.

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 comment on the potential market impact of proposed disposals of excess materials from the National Defense Stockpile as set forth in Attachment 1 to this notice.

DATES: Comments must be received by November 8, 1999.

ADDRESSES: Written comments should be sent to Richard V. Meyers, Co-Chair, Stockpile Market Impact Committee, Office of Strategic Industries and Economic Security, Room 3876, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; FAX (202) 482-5650.

FOR FURTHER INFORMATION CONTACT: Richard V. Meyers, Office of Strategic Industries and Economic Security, U.S. Department of Commerce, (202) 482-3634; or Stephen H. Muller, Office of International Energy and Commodity Policy, U.S. Department of State, (202) 647-3423; co-chairs of the National Defense Stockpile Market Impact Committee.

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."

Attachment 1 lists the current FY 2000 AMP quantities, the proposed revisions to the FY 2000 AMP quantities, and the proposed FY 2001 AMP. The Committee is seeking public comment on the potential market impact of the sale of these materials as proposed in the revised FY 2000 AMP and FY 2001 AMP.

The quantities listed in Attachment 1 are not sales target disposal 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. The quantity of each material that will actually be offered for sale will depend on the market for the material at the time 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 November 8, 1999 to ensure full consideration by the Committee, interested parties are encouraged to submit additional 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 comment is 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. Material that is national security classified or business confidential will be exempted from public disclosure. 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. Communications from agencies of the United States Government will not be made available for public inspection.

The public record concerning this notice will be maintained in the Bureau of Export Administration's Records Inspection Facility, Room 4525, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, telephone (202) 482-5653. The records in this facility may be inspected and copied in accordance with the regulations published in part 4 of Title 15 of the Code of Federal Regulations (15 CFR 4.1 *et seq.*).

Information about the inspection and copying of records at the facility may be obtained from Ms. Margaret Cornejo, the Bureau of Export Administration's Freedom of Information Officer, at the above address and telephone number.

Dated: October 5, 1999.

R. Roger Majak,
Assistant Secretary for Export
Administration.

Attachment 1

PROPOSED ANNUAL MATERIAL PLANS FOR FY 2001 AND REVISED FY 2000

Material	Units	Current FY 2000 quantity	Revised FY 2000 quantity	Proposed FY 2001 quantity
Aluminum Oxide, Abrasive	ST	6,000	6,000	6,000
Aluminum Oxide, Fused Crude	ST	65,000	65,000	5,000
Analgesics	AMA Lb	12,815	12,815	12,815
Antimony	ST	5,000	5,000	5,000
Asbestos (all types)	ST	20,000	20,000	0
Bauxite, Metallurgical (Jamaican)	LDT	2,000,000	2,000,000	2,000,000
Bauxite, Metallurgical (Surinam)	LDT	1,500,000	1,500,000	1,000,000
Bauxite, Refractory	LCT	14,000	14,000	14,000
Beryl Ore	ST	2,000	4,000	4,000
Beryllium Metal	ST	40	40	40
Beryllium Copper Master Alloy	ST	1,250	1,500	1,500
Cadmium	LB	1,200,000	1,200,000	1,200,000
Celestite	SDT	3,600	3,600	3,600
Chromite, Chemical	SDT	100,000	100,000	110,000
Chromite, Metallurgical	SDT	250,000	250,000	1250,000
Chromite, Refractory	SDT	100,000	100,000	100,000
Chromium, Ferro	ST	150,000	150,000	150,000
Chromium, Metal	ST	0	500	500
Cobalt	LB Co	6,000,000	6,000,000	6,000,000
Columbium, Carbide Powder	LB Cb	21,500	21,500	121,500
Columbium Concentrates (Minerals)	LB Cb	200,000	200,000	200,000
Columbium, Ferro	LB Cb	400,000	400,000	1300,000
Columbium Metal Ingots	LB Cb	20,000	20,000	20,000
Diamond Bort	CT	165,000	10
Diamond Dies	PC	15,000	15,000	15,000
Diamond Stone	CT	1,000,000	1,000,000	1,000,000
Fluorspar, Metallurgical	SDT	50,000	60,000	60,000
Germanium	KG	8,000	8,000	8,000
Graphite	ST	3,760	3,760	3,760
Iodine	LB	1,000,000	1,000,000	1,000,000
Jewel Bearings	PC	56,000,000	56,000,000	56,000,000
Kyanite	SDT	150	150	1150
Lead	ST	60,000	60,000	60,000

PROPOSED ANNUAL MATERIAL PLANS FOR FY 2001 AND REVISED FY 2000—Continued

Material	Units	Current FY 2000 quantity	Revised FY 2000 quantity	Proposed FY 2001 quantity
Manganese, Battery Grade Natural	SDT	30,000	30,000	30,000
Manganese, Battery Grade Synthetic	SDT	3,011	3,011	13,011
Manganese, Chemical Grade	SDT	40,000	40,000	40,000
Manganese, Ferro	ST	50,000	50,000	50,000
Manganese, Metal Electrolytic	ST	2,000	2,000	2,000
Manganese, Metallurgical Grade	SDT	250,000	250,000	250,000
Mica (All Types)	LB	2,260,000	2,260,000	2,260,000
Palladium	TR Oz	200,000	200,000	200,000
Platinum	TR Oz	125,000	125,000	125,000
Platinum-Iridium	TR Oz	14,450	11,000	11,000
Quinidine	Oz	750,000	750,000	750,000
Quinine	Oz	750,000	1,000,000	1,000,000
Sebacic Acid	LB	400,000	400,000	400,000
Silver (for coinage)	Tr Oz	10,000,000	10,000,000	10,000,000
Talc	ST	1,000	1,000	1,000
Tantalum Carbide Powder	LB Ta	4,000	4,000	4,000
Tantalum Metal Ingots	LB Ta	40,000	40,000	40,000
Tantalum Metal Powder	LB Ta	50,000	50,000	50,000
Tantalum Minerals	LB Ta	200,000	200,000	200,000
Tantalum Oxide	LB Ta	20,000	20,000	20,000
Thorium Nitrate ³	LB	6,494,891	6,494,891	17,091,891
Tin	MT	12,000	12,000	12,000
Titanium Sponge	ST	5,000	5,000	5,000
Tungsten, Carbide Powder	LB W	1,000,000	1,000,000	1,000,000
Tungsten, Ferro	LB W	300,000	300,000	300,000
Tungsten, Metal Powder	LB W	150,000	150,000	150,000
Tungsten Ores & Concentrates	LB W	3,000,000	3,000,000	3,000,000
Vegetable Tannin Extract, Chestnut	LT	11,100	11,100	11,100
Vegetable Tannin Extract, Quebrac.	LT	16,000	16,000	16,000
Vegetable Tannin Extract, Wattle	LT	16,500	16,500	16,500
Zinc	ST	50,000	50,000	50,000
Zirconium (Baddeleyite)	SDT	17,383	17,383	17,383

Notes:

¹ FY 2000 entries (current or proposed revision) are an adjustment to available inventory. For FY 2001 entries, actual quantity will be limited to remaining sales authority or inventory.

² The radioactive nature of this material may restrict sales or disposal options.

[FR Doc. 99-26394 Filed 10-7-99; 8:45 am]
BILLING CODE 3510-33-P

DEPARTMENT OF COMMERCE**National Oceanic and Atmospheric Administration**

[I.D. 092899E]

Gulf of Mexico Fishery Management Council; Public Meeting

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of public meeting.

SUMMARY: The Gulf of Mexico Fishery Management Council will convene a public meeting of the Law Enforcement Advisory Panel (AP).

DATES: This meeting will be held on October 21, 1999, from 1:00 p.m. to 5:00 p.m.

ADDRESSES: This meeting will be held at the Casino Magic - Biloxi, 195 Beach

Boulevard, Biloxi, MS 39530; telephone: 800-562-4425.

Council address: Gulf of Mexico Fishery Management Council, 3015 U.S. Highway 301 North, Suite 1000, Tampa, FL 33619.

FOR FURTHER INFORMATION CONTACT:

Richard Leard, Senior Fishery Biologist, Gulf of Mexico Fishery Management Council; telephone: 813-228-2815.

SUPPLEMENTARY INFORMATION:

The Law Enforcement AP will convene to review a discussion paper for vessel monitoring systems (VMS) and possible applications to fisheries in the Gulf of Mexico. The Law Enforcement AP will also be provided with a presentation of potential VMS operations by the NMFS. The Law Enforcement AP will also review an Options Paper for Additional Bycatch Reduction Requirements in the Eastern Gulf and an Options Paper to Implement a Moratorium on the Issuance of Additional Charter Boat Permits. Other topics of interest are a discussion of requiring operators of shrimp and reef fish vessels in the eastern Gulf to have a federally issued permit, as well as status reports on the

implementation of various amendments and regulatory amendments to fishery management plans previously approved by the Council.

The Law Enforcement AP consists of chief enforcement agents for the state and Federal fishery agencies in the Gulf area who advise the Council on fishery issues.

Although non-emergency issues not contained in this agenda may come before the panel for discussion, in accordance with the Magnuson-Stevens Fishery Conservation and Management Act, those issues may not be the subject of formal action during this meeting. Action will be restricted to those issues specifically identified in this notice and any issues arising after publication of this notice that require emergency action under section 305(c) of the Magnuson-Stevens Act, provided the public has been notified of the Council's intent to take final action to address the emergency.

Special Accommodations

This meeting is physically accessible to people with disabilities. Requests for

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FAX MESSAGE

TO: Mr Richard Meyers
Co-Chairman Marketing Impact Committee
DPAS Program Manager
Office of Strategic Industries and Economic Security

DATE: Sep 28, 1999

FROM: Horacio Barilatti B.
President

PAGES: 5

Dear Mr Richard Meyers,

Recent developments in DNSC's disposal of quebracho tannin continue to be increasingly disruptive and keep harming our industry.

By news release dated June 30, 1999, the DNSC reported the release of over 450 tons of quebracho at a current market value of \$ 176 per ton.

In one month, the DNSC has sold .75% of our industry's total world market. Only this release amounts to 25% of our industry's total exports to U.S. during 1998. These transactions has been agreed at a price equivalent to one fifth of our industry's average price.

A RETROSPECTIVE VIEW

Chronologically, DNSC's disposal activities and consequences to our industry over the last years can be summarized as follows:

1993/1997

Releases amount to 2,860 tons per year at prices that start in the range of \$700/ton in 1992 and reach \$ 268/ton in 1997.

During this period, our industry's exports to the U.S. market dropped by 50%.

1998

DNSC participates in the Miami International Leather Fair, targeting and starting an undue disruptive process in our international markets.

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During 1998 we held several meetings with the DNSC staff. We provided reliable data that proves the damage caused to the free trade of our products and pointed the fragile nature of our industry, which has undergone the closure of several of the existing factories over the past five years.

The Argentine Embassy, which participated in several meetings held by the Chamber and the DNSC staff, has also made it clear that these disposals do harm the interests of a friendly nation. Statements to that respect by Argentina's Federal and Provincial Congresses were made known, and copies handed, to DNSC staff.

1999

Regardless of our previous meetings and the data and explanations provided, the DNSC participates again in the Miami International Leather Fair.

With our markets shrinking further and DNSC's activities hurting our industry, we have requested DNSC to stop targeting our international markets and to look into alternative disposal policies or activities. Our last letter, dated May 26, remains unanswered. Finally, in June the above mentioned transactions take place.

It is worth mentioning that our 1999 total shipments have dropped more than 20% vis a vis 1998 volumes, forcing our members to halt production at one time or other of the current year, in all of their factories. In addition, every ton sold by DNSC represents even less jobs in our poverty-stricken provincial economies.

KEY ISSUES AFFECTING DNSC'S QUEBRACHO DISPOSAL

Unfair Competition

DNSC is affecting producers' markets while not using any costing criteria of any kind or giving any consideration to expenses or any other production, distribution or warehousing economic parameter.

Lower Prices

In earlier correspondence on this issue, DNSC has taken the position that the lower prices are justified because the Stockpile of quebracho is older than modern material and DNSC cannot offer any of the guarantees normally offered in the commercial marketplace¹.

¹ Letter from Richard J. Connolly to Honorable Felipe Frydman (March 4, 1998)

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Even if that is true, however, the Chamber does not believe that it would support such a wide discrepancy in price, and is not aware of any detailed economic analysis supporting the claim that the prices DNSC is considering represent fair market value for the Stockpile material. It also appears that the prices DNSC is considering are well below actual U.S. costs with respect to this material. The Chamber believes that the quebracho now being disposed from the stockpile was purchased by the U.S. in the early 1950's at prices around \$ 220/\$ 250 per ton. Thus, the price DNSC is now considering is lower than the original purchase price and does not reflect the U.S. cost of 40-55 years' warehousing of this material.

*DLA is Obligated to Analyze Market Effects
and Avoid Market Disruption*

In disposing of Stockpile materials, DNSC is obligated "to the maximum extent feasible . . . to avoid undue disruption of the usual markets of producers, processors and consumers of such materials."² The U.S. courts have held that a significant break in the market price for a significant quantity of material - precisely the situation now developing with respect to Stockpile quebracho sales - constitutes just the type of "undue disruption" that must be avoided.³ The courts also have required DNSC to perform detailed and sophisticated economic analyses to demonstrate that Stockpile sales do not run afoul of this requirement.⁴

In authorizing Stockpile tannin sales, Congress has repeatedly reiterated its desire to avoid market disruption and has added new protections to ensure that it does not occur. The Defense Authorization Act of 1992 directed DOD to begin disposing of specific Stockpile materials thought to be "excess or obsolete" including vegetable tannins.⁵

However, during the hearings on the bill the Departments of Commerce and State presented testimony warning against disposals that would disrupt international markets and cause unnecessary harm to the interest of friendly nations.⁶ As a result, the bill included what is now §10(c) of the Strategic and Critical Materials Stockpiling Act (50 U.S.C. § 98h-1(c)) which requires the President to establish a Market Impact Committee, and requires the Stockpile Manager to consult the Committee and consider its recommendations prior to finalization of the AMP for any year. The 1992 provision authorizing Stockpile tannin sales

² 50 U.S.C. § 98c(b)(2)(1998)

³ See, e.g., *Associated Metals Corp v. Carmen*, 704 F.2d 629 (D.C. Cir. 1983); *Howes Leather Co., Inc. v. Golden*, 681 F.Supp.6 (D.D.C. 1987)

⁴ *Id.*, see also *Minor Metals v. United States*, 38 Fed. Cl. 16 (1997)

⁵ See H.R. Rep. No. 102-527, 102d Cong., 2d Sess. 371 (1992)

⁶ *Id.* at 372

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expressly conditions such sales on prior consultation with the Committee and consideration of its views.⁷

Despite this clear congressional interest in avoiding disruption of international tannin markets, the Chamber is not aware of any attempts by DNSC to analyze the economic consequences of the recent changes in quebracho disposal plans, or to consider the advice of the Market Impact Committee with respect to those plans.⁸ As discussed above, the Chamber is convinced that any reasonable analysis of DNSC's plans would demonstrate substantial disruption of international quebracho markets. At the very least, however, DNSC cannot proceed with current plans of quebracho disposal without conducting a detailed analysis of the likely effects on international markets, including detailed consideration of the issue by the Market Impact Committee and DNSC consideration of the Committee's resulting advice.

*The Chamber is Obligated to Protect
The Argentine Quebracho Industry*

The Chamber believes that the interests of both DNSC and the Chamber would best be served through agreement on a more reasonable plan for Stockpile quebracho disposal. Alternatives that might be considered include a return to the prior focus on sales in small quantities in U.S. domestic markets or prices more reflective of the prevailing market price. The Chamber has repeatedly affirmed its desire and its commitment to work closely with DNSC to attain these goals, or effect any other reasonable alternative that DNSC might propose.

However, the Chamber is obligated to protect the interests of the Argentine tannin industry, which is suffering serious economic harm because of DNSC's current plans. The U.S. courts look closely at claims that Stockpile sales are causing market disruption, and will enjoin sales that do not comply with applicable legal requirements.⁹ The Chamber also would qualify as an "interested party" capable of protesting Stockpile quebracho sales under the relevant provisions of the Federal Acquisition Regulations.¹⁰ Should DNSC refuse to adopt reasonable revisions to its current plans, the Chamber will not hesitate to avail itself of these and any other available legal or other means for avoiding the economic disruption that is certain to result if DNSC implements its current plans.

⁷ Pub.L.102-484, §3302(b), 50 U.S.C. §98d Note (1998)

⁸ There is no mention of the Committee's views in the 1998 Report to Congress, and in any event the prices reflected in that Report are substantially above those DNSC is now considering, as discussed above

⁹ See, e.g., *Associated Metals Corp. v. Carmen*, 704 F.2d 629 (D.C. Cir. 1983); *Minor Metals v. United States*, 38 Fed. Cl. 16 (1997); *Howes Leather Co., Inc. v. Golden*, 681 F. Supp. 6 (D.D.C. 1987).

¹⁰ See 48 CFR § 33.191 (1997)

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FUTURE ACTIONS

We envisage the following steps as critical to arrive to a non confrontational solution:

1. That DNSC avoid targeting our international markets by not participating in any International Leather Fair or event.
2. That DNSC establish as a condition of any future disposal, that the material - processed or not - cannot be exported from the USA.
3. That DNSC adjust prices of quebracho disposals to fair market value, avoiding egregiously low prices that generate serious disruption of international quebracho markets. Price adjustment should also reflect basic parameters such as original purchase price and cost of warehousing of this material.
4. Given the negative contribution to the U.S. Government budget vis a vis the costs (accounted for or not) of maintaining this stock, the negligible size of these releases vis a vis DNSC's total assets, and the severe damage caused to a small, regional, vulnerable industry, DNSC should consider the complete physical disposal of this material. Its non toxic nature makes this alternative totally feasible and could provide for a fast availability of warehousing facilities at present devoted to this material.

The Chamber believes it is clearly in the best interest of both parties to reach a mutually acceptable agreement on these issues, and still stands willing to work closely with DNSC in the above mentioned alternative within the following months. Unfortunately, our cooperative horizon does not allow for further damage to our industry in a longer time frame.

Sincerely,



Horacio Barilatti B.
President

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FAX MESSAGE

TO: Mr Richard Meyers
Co-Chairman
Marketing Impact Committee

DATE: October 29, 1999-10-29

FROM: Horacio Barilatti B.
President

PAGES: 3

Thank you for your letter of October 6, 1999, requesting additional information that we wish the MIC to consider with respect to Stockpile disposal of Quebracho tannin in FY 2000-2001.

Our concerns and the relevant economic data were presented in detail in our letter of September 28, to which your October 6 letter responded. We are attaching a table presenting additional data on Stockpile releases of Quebracho as discussed in our letter and providing further documentation of the increasing economic harm to our industry.

In addition, it has come to our attention that by news release dated August 6, 1999, DNSC reported the release of approximately 990 MT of Quebracho at a price of \$ 176 per MT. In less than three months, DNSC has sold approximately 1,450 MT of Quebracho, all at a price approximately one fifth of our average price. This amounts to approximately 2.5% of our total world market.

We also note that the proposed Annual Materials Plan for FY 2000 and 2001 would allow the Stockpile to sell up to 16,000 LT of Quebracho in each year. We strenuously object to this proposal, which would be ruinous to our industry as demonstrated by the data we have provided.

With total industry volumes closer to 55,000 MT than to 60,000 MT in 1999, the Annual Materials Plan for Quebracho would amount to almost 30% of our world market and would undoubtedly destroy our industry in a very short time frame, particularly at the prices DNSC has permitted.

The proposed 16,000 LT represents almost three times the volumes the U.S. market has bought historically. This is a clear indication that the Annual Materials Plan is targeting our international markets. We have already stated that the undue disruption caused by DNSC

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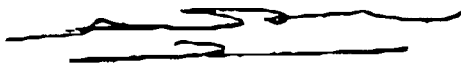
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releases over the past years, in the US Market alone, has been critical to the closure of several Quebracho factories.

Were the international markets also reached by the DNSC action, the consequences would be devastating to our industry.

Our letter of September 28 includes a list of recommended actions which we view as critical to a mutually acceptable agreement with respect to future releases of Quebracho from the Stockpile. We urge the MIC to consider these measures carefully in view of the data we have provided and the concerns we have stated. If necessary and appropriate, we would be willing to address the committee in person, or to meet with you or other committee members, to discuss these issues more fully.

Sincerely,



Horacio Barilatti B.

CAMARA ARGENTINO - PARAGUAYA DE PRODUCTORES
DE EXTRACTO DE QUEBRACHO

Paseo Colón 221 - Piso 10º
1399 - Buenos Aires - Argentina

Tel.: 331-5540/47
Fax: 331-5549/5549

VEGETABLE TANNIN EXTRACT, QUEBRACHO

DNSC RELEASES AND CONSEQUENCES

	Stockpile Releases -Tons-	Stockpile Prices -\$-	Exports to US Market -Tons-	Average Price to US Market -\$-
Avg. '88-92	778	700	5.375	750
'93	8.145	399/382	4.479	677
'94	1.160	344/371	3.935	609
'95	56	-	3.135	654
'96	1.418	271	2.815	698
'97	3.570	268	2.636	720
'98	1.517	239	2.177	720

Avg. '93-98 (2644)
is 340% of Avg. '88-92

Price dropped 66%

Exports dropped 60%



Mick - 1C

EMBASSY OF THE
ARGENTINE REPUBLIC
WASHINGTON, D. C.
AMBASSADOR'S OFFICE

Washington DC, November 1st, 1999

Mr. William Alan Reinsch
Under Secretary for Export Administration
Department of Commerce
Washington, DC

Dear Mr. Reinsch,

I wish to refer to recent developments in the Defense National Stockpile Center's disposal policy for quebracho tannin and to its impact on international markets, in particular on the Argentine quebracho industry.

As you are aware, quebracho tannin markets have declined considerably worldwide in the recent decades. The Argentine quebracho industry, though small, remains vital for employment and the regional economic prospects in the Northeast Provinces of my country. Our industry and the region concerned are thus highly vulnerable to international market trends and have undergone a dramatic adjustment to changing patterns in demand in the recent years. A significant number of establishments have been forced to close down.

Against this background, disruptive disposal practices by the DNSC, which escalated in 1998-1999, have further affected our industry's prospects and resulted in a huge drop in sales to the US market in particular and to world markets in general.

In the enclosed letters sent by the Argentine-Paraguayan Chamber of Quebracho Tannin Producers to the DNSC and the Market Impact Committee you will find a detailed chronology of events and all relevant information.

In this regard, I would like to draw your attention to a particular cause for concern: in a 3-month period (June-September 1999) the DNSC has sold approximately 1,500 MT of quebracho tannin (amounting to 2,5% of annual sales by the Argentine-Paraguayan Chamber) at prices equivalent to only one fifth of the Argentine average price. The DNSC disposal price cannot be construed as representing a fair market value for stockpile material that has been warehoused for the last 50 years.

It is also disturbing to note that the proposed Annual Materials Plan for FY 2000 and 2001 would allow the Stockpile to dispose of up to 16,000 LT of quebracho in each of these years. This amounts to almost 30% of the Chamber's worldwide annual sales. Stockpile releases in the proposed quantities would inflict a severe damage on the Argentine industry, particularly at the prices that the DNSC has recently permitted.

The Department of Commerce -as co-chair of the Market Impact Committee- has a responsibility in ensuring that the DNSC disposal practices avoid undue market disruptions for producers, processors and consumers of quebracho tannin. I therefore request that the impact of these practices on the Argentine quebracho industry be fully taken into account by the MIC in determining quantities to be released and that DNSC disposal prices be adjusted to reflect fair market values.

Furthermore, I would request you to give due consideration to the Argentine-Paraguayan Chamber suggestion concerning the physical disposal of obsolete reserves of this material, as a feasible and cost-efficient option for dealing with the remaining stock.

Yours truly,



Diego R. Guelar
Ambassador

cc: Mr. David L. Aaron, Under Secretary for International Trade
Mr. Richard Meyers, Co-Chairman Market Impact Committee, Office of Strategic Industries and Economic Security

Rec'd
11/1/99
RMM

MIC-2



Aluminum Company of America

Russell C. Wisor
Vice-President, Government Affairs

November 01, 1999

Richard V. Meyers
Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876
U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington, DC 20230

**RE: NATIONAL DEFENSE STOCKPILE MARKET IMPACT
COMMITTEE REQUEST FOR PUBLIC COMMENTS**

Dear Mr. Meyers:

Enclosed is the submission (10 copies) of Alcoa Inc. regarding the October 08, 1999, notice published in the *Federal Register* seeking comments on the potential market impact of proposed disposals of certain material quantities under the FY 2000 and FY 2001 Annual Materials Plan (AMP) of the National Defense Stockpile. Alcoa's comments will focus only on the disposal levels of Surinam-type bauxite from the National Defense Stockpile.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

MIC-2

COMMENTS OF

Alcoa Inc.

**SUBMITTED TO THE
OFFICE OF STRATEGIC INDUSTRIES AND ECONOMIC SECURITY
BUREAU OF EXPORT ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE**

**ON THE
REQUEST FOR PUBLIC COMMENTS
OF THE NATIONAL DEFENSE STOCKPILE
MARKET IMPACT COMMITTEE
RELATED TO DISPOSAL LEVELS OF EXCESS COMMODITIES
FROM THE NATIONAL DEFENSE STOCKPILE**

November 01, 1999

Alcoa Inc. appreciates the opportunity to comment on the disposal of Surinam-type bauxite from the National Defense Stockpile. Alcoa is the world's leading producer of aluminum and alumina with 215 operating locations in 31 countries. The Company serves customers in the packaging, automotive, aerospace, construction and other markets with a variety of products.

Alcoa supports the National Defense Stockpile Market Impact Committee's proposed Fiscal Years 2000 and 2001 disposals of Surinam-type bauxite which would make available 1,500,000 and 1,000,000 long dry tons respectively.

Alcoa purchases a significant quantity of bauxite on a yearly basis to supply its Pt. Comfort, Texas refinery. The Surinam-type bauxite is a good fit into the Company's refineries as a blend material along with our normal supply. Alcoa's other domestic refinery, for which we must purchase bauxite, is located in St. Croix, Virgin Islands. Increasing the availability of the Stockpile's Surinam-type bauxite at market prices would allow the Company's two domestic refineries some production flexibility as well as provide additional income to the government.

In addition, Alcoa believes the quantities of Surinam-type bauxite being offered for sale would have minimal impact on other world bauxite sales. The excess quantities to be offered by the government represent less than two percent of total yearly global bauxite production. Bauxite is usually purchased on long term contracts so the additional Suriname-type tonnage would offset spot purchases by the consuming locations. The additional bauxite would also help the disadvantaged U.S. plants that are dependent on high priced, imported bauxite. It should also be easier for the government to sell the bauxite at a good price at this time due to the high demand for alumina at the present time.

In terms of the effect this proposed change might have on Surinam, Alcoa does not believe that disposals of Surinam-type bauxite will have any negative effects because bauxite is no longer exported from the country.

In summary, Alcoa commends and supports the Market Impact Committee's proposal to sell all Surinam-type bauxite from the National Defense Stockpile.

COMMENTS OF

Alcoa Inc.

**SUBMITTED TO THE
OFFICE OF STRATEGIC INDUSTRIES AND ECONOMIC SECURITY
BUREAU OF EXPORT ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE**

**ON THE
REQUEST FOR PUBLIC COMMENTS
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MARKET IMPACT COMMITTEE
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In summary, Alcoa commends and supports the Market Impact Committee's proposal to sell all Surinam-type bauxite from the National Defense Stockpile.

MIC-3

**PLATINUM GUILD INTERNATIONAL (USA) INC.**

675 Third Avenue, Suite 1600
New York, NY 10017
Phone 212 661-1188 Fax 212 661-3498
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November 8, 1999

Mr. Richard V. Meyers
Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876
U.S. Department of Commerce
14th Street and Constitution Avenue
Washington, DC 20230

Dear Mr. Meyers

As a world-wide association with a direct and fundamental interest in platinum group metals ("PGM"), Platinum Guild International ("PGI") appreciates this opportunity to express its view regarding the United States Defense Department's pending proposal to sell its surplus metals, particularly platinum and palladium currently held in the United States National Defense Stockpile ("Stockpile"), published in the Federal Register October 8, 1999. The Defense Logistics Agency ("DLA") has recommended that the Defense National Stockpile Center ("DNSC") sell no more than 125,000 troy ounces of platinum and 200,000 troy ounces of palladium in both FY 2000 and FY 2001. Should DNSC dispose of the maximum proposed amounts of platinum and palladium, the world's PGM markets will be adversely impacted. Because plummeting world PGM prices would, in turn, harm the fragile stability of emerging market economies such as those in Russia and South Africa as well as the successful United States Mint's Platinum American Eagle coin program, PGI recommends that the Market Impact Committee exercise caution in the disposition of PGMs. Specifically, the Market Impact Committee is urged to embrace a prudent disposal schedule, as set forth below, to avoid adverse market reactions in the United States and abroad.

The Platinum Market

The worldwide platinum market is a relatively small and illiquid market. As most of the world's platinum is sold forward to industrial consumers, even small changes in market supply tend to have a dramatic impact on prices. To give some perspective, reported market inventories for both the Tocom and the Nymex, combined, averaged just 96,000 ounces for the first half of 1999. Another comparison of scale is that gold trading volume on the Comex is 29 times greater than that for platinum on the Nymex. Apparently small quantities injected into the market become in actuality significant portions of total market activity.

According to the South African Department of Minerals and Energy, the emergence of DLA platinum and palladium in June and July of this year contributed to the depressed prices of \$348 and \$288 respectively. This was a decline from the average price for platinum in 1998 of \$366, and a sharp drop from palladium prices seen earlier in the year. While the total amount of DLA platinum sold this year, 100,000 ounces, will probably amount to less than 2% of 1999's total supply, due to the dynamic described above it was enough to make average prices for platinum in 1999 through the third quarter (at \$353.89) the lowest since 1985 in nominal terms. This is despite demand expansion that has grown at an average annual rate of over 5% during that same period. The dramatic decline in prices resulting from DLA's introduction of excessive amount of platinum and palladium into the market this year is likely to be magnified with DLA's proposed disposal of platinum which is at a level that is 25% higher than this year's sales. These additional proposed sales of platinum and palladium will have a significant impact on the fragile economies of the emerging nations of South Africa and Russia.

South Africa

South Africa is the world's largest producer of platinum and the second largest producer of palladium. Should DLA embrace a disposal schedule that floods the market with large quantities of platinum and palladium, the nation's mining industry will be adversely affected. The mining industry has been the cornerstone of South Africa's economy for over 100 years and the nation's dependence on mining remains significant. South Africa has an estimated unemployment rate of 30%. Mining comprises 9% of its overall labor force, of which 17% (91,000 people) is comprised of the platinum group metal mining sector. Should the precious metals market be inundated with the stockpiled inventory, the inevitable resultant drop in the prices of these precious metals would directly and negatively impact South Africa's economy, particularly its unemployment rate.

Employment is the biggest crisis issue facing the country, and as seen in the gold sector, there is a strong inverse relationship between metals prices and employment levels. In 1997, gold prices suffered from a downward slide when central banks sold large quantities of their reserves. South Africa, as the world's leading producer of gold, was hit the hardest, and is still struggling to recoup the loss in jobs and export revenues due to drops in gold production. As such, these concerns with platinum and palladium are even more grave when combined with the problems already being felt from the turbulence of the gold mining industry. Considering the economic importance of South Africa to the rest of sub-Saharan Africa, it should be with great care that the U.S. government considers any action that might harm South Africa's economic condition.

South Africa's real GDP was estimated to be \$290.6 billion in 1998, with a small growth rate of just 0.3%. South Africa's per capita purchasing power parity was just \$6,800. The Republic of South Africa currently earns approximately 17% of its total mineral sales value of R71.5 billion (about US \$12 billion) from platinum group metals sales.

Russia

Russia is the world's second largest producer of platinum and also dominates world-wide palladium production. Clearly, Russia's limited economic success is also highly dependent upon the platinum and palladium markets. While specifics about the Russian platinum industry are difficult to come by, a number of national figures vividly illustrate the relative importance of platinum and palladium exports to Russia's economy. For example, Russia's real GDP growth rate was a pessimistic -5% in 1998. Per capita GDP was at \$4,000, and 28.6% of the population operated below the poverty line. The September, 1999 official unemployment rate was 12.4%,

unchanged from August. Moreover, the U.S. dollar value of total exports was \$71.8 billion for 1998. Using the best industry estimates, the total value of platinum and palladium exports from Russia last year was about US \$2 billion, or nearly 3% of total export earnings. Considering the amount of international aid being directed at Russia, it would be worthwhile to consider avoiding action by the U.S. that might harm their currently profitable operations.

The US Mint's Platinum American Eagle Coin Program

In 1996, the production of the first American platinum coins was authorized by Congress. This platinum coin program was made possible through the cooperative effort of DLA and the U.S. Mint. The agreement provided for the loan of 200,000 troy ounces of platinum from the National Defense Stockpile to the U.S. Mint. This agreement provides the U.S. Mint with the raw material needed to begin design and production of the coins. The proceeds from the first sale now ensures the continuation of the coin program.

The U.S. platinum coin program is one of only three programs of significance in the world and can only be characterized as a complete success. Since the Platinum Eagle program was launched in June of 1997, the program has generated over 300,000 ounces in bullion coin sales revenue. The Proof Platinum Eagle program has generated additional sales of over 80,000 ounces. The bullion and proof programs combined have total related revenues in the area of \$170 million dollars. The Platinum American Eagles currently command over 80% of the world market share, and are likely to capture 90%, gaining further prestige and pre-eminence for this symbol of America. In addition to the international prestige conferred by a successful platinum coin program, the Department of the Treasury relies upon profits from its coin programs to offset department expenses.

PGI's concern is that the required sale of excessive amount of platinum will very likely require the Defense Logistics Agency to exercise its option under its agreement with the Mint and demand the return of its loaned platinum in short order. Such a demand would leave the Mint little alternative but to turn to the open market and purchase (or lease) replacement platinum. Federal appropriations to the Mint do not provide for such a purchase. Nor is leasing a commercially viable option. The program operates with a very narrow profit margin. Lease rates ranging anywhere from 4% to over 20% per annum would obliterate this margin, making the entire program economically unfeasible. However, such an unfortunate and unnecessary result can be averted by your recommendation to dispose of much smaller, and more prudent, quantities of platinum from the Stockpile.

Our Proposed DLA Platinum Stockpile Liquidation Schedule

In the interest of mitigating the adverse impact of DLA stockpile sales of platinum, we propose the following sales schedule (based on the September, 1999 inventory figure of 342,357 troy ounces) that will both meet the U.S. government's long-term budget requirements while minimizing the harm caused to the platinum market and the Eagle program:

FY2000 - 18,000
FY2001 - 36,000
FY2002 - 72,000
FY2003 - 96,000
FY2004 - 120,000

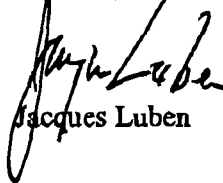
This more orderly liquidation schedule should allow platinum market participants the time to adjust to expected supply coming to the market from the US government.

Conclusion

The Market Impact Committee is charged with the development of a plan to dispose of PGMs in a manner that both respects the stability of the market and maximizes sales profits to the Federal Treasury. The disposal amounts contained in the Annual Materials Plan ("AMP") fails in both respects: it will cause unnecessary disruptions in the market and it will needlessly depress prices paid to the United States for the materials. The disposal of stockpiled precious metals must be undertaken with extreme caution, and with an understanding of the peculiarities of these markets and their impact on emerging economies such as that of the Republic of South Africa and of the Russian Federation. PGI urges the Market Impact Committee to support disposal levels of platinum and palladium that do not adversely impact the developing economies of South Africa and Russia but also ensures the continued success of the US Mint's high profile, successful platinum bullion coin program. The ramifications of the current liquidation levels contained in the AMP reach far beyond the immediate budgetary benefits that such liquidations would derive.

Thank you for your attention to this important matter.

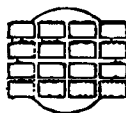
Sincerely,



Jacques Luben

We have requested further information from the South African government regarding the expected impact of the existing liquidation schedule on the South African mining industry and its economy in general. The information they produce will be forwarded as a follow-up to this presentation.

MIC-3A

**PLATINUM GUILD INTERNATIONAL (USA) INC.**

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December 7, 1999

Mr. Richard V. Meyers
Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876
U.S. Department of Commerce
14th Street and Constitution Avenue
Washington, DC 20230

Dear Mr. Meyers:

On November 8, 1999, Platinum Guild International ("PGI"), a world-wide trade association with a direct and fundamental interest in platinum group metals ("PGM"), submitted comments in regard to the United States Defense Department's pending proposal to sell its surplus metals, particularly platinum and palladium currently held in the United States National Defense Stockpile ("Stockpile"). This letter is intended to supplement the information on South Africa contained in our initial filing and contains information we recently received from Amplats, and its wholly owned subsidiaries Rustenburg Platinum Mines (RPM), Potgietersrust Platinum Limited (PPRust), Lebowa Platinum Mines Limited (Leplats) and Amplats Limited. This group of companies is by far the world's largest producer of PGMs.

The Defense Logistics Agency ("DLA") has recommended that the Defense National Stockpile Center ("DNSC") sell no more per year than 125,000 troy ounces of platinum and 200,000 troy ounces of palladium in both FY 2000 and FY 2001. PGI discussed the adverse impact the disposal of the maximum proposed amounts of platinum and palladium would have on the world's PGM markets. In particular, PGI discussed the harm plummeting world PGM prices would have on the fragile stability of emerging market economies such as those in Russia and South Africa, as well as on the successful United States Mint's Platinum American Eagle coin program.

According to 1996 census figures, the population of South Africa was 40,583, 573. Non-agricultural formal employment in South Africa has declined at an average annual rate of 1% from 1989 to 1996, according to the 1998 Budget Review. This amounts to a net loss of about 390, 000 formal sector jobs. Between the fourth quarters of 1996 and 1997, employment in the formal non-agricultural sectors declined by some 2.7%, according the Central Statistical Service (CSS). The Reserve Bank attributes this decline in employment to the restructuring and rationalization of work practices by producers confronting domestic cost pressures, aggressive foreign competition and weak

international commodities prices. Moreover, domestic exporters have been forced to downwardly adjust their workforce in response to the abolishment of export subsidies.

In addition, since 1994 the decline in South Africa's employment figures has focused in three sectors, including mining. The plummeting gold price during the last quarter of 1997 was a major contributing factor to the loss of mining jobs. It is PGI's concern that should platinum and palladium be sold at amounts resulting in a price decline comparable to the one experienced with gold, additional mining positions will be lost needlessly. Mining jobs contribute greatly to the economy of South Africa. There are 440,200 individuals employed in the mining industry, 94,000 of whom are employed by the PGM industry according to the March 1999 Chamber of Mines - Statistics Department. It is critical that the Market Impact Committee (MIC) not embrace a policy that adversely impacts the PGM prices, which would cause South Africa's unemployment rate to escalate. According to the South African Institute of Race Relations' study on unemployment, at the 1996 growth rate, unemployment could deepen by up to two percentage points per year. Moreover, the study estimated that in 1996 the unemployment rate stood at 24% of the economically active population.

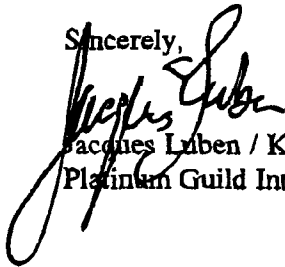
In addition to relying on the jobs that flow from mining platinum, South Africa's economy is dependent on benefits derived from the exportation of platinum. South Africa's 1998 platinum group metal export sales are estimated at over \$2.07 billion:

(\$ millions)	
Platinum	\$ 1,347
Palladium	496
Rhodium	229
Total	\$ 2,073

The economics of mining for these metals in South Africa is that palladium and rhodium are historically dependent upon the commercial profitability of platinum production. If platinum prices suffer, production will decline and so too will earnings for all of the platinum group metals, putting this vital sector of the mining industry at risk. The harm this would cause to South Africa's economy is considerable, in light of the employment situation described above and because 4% of South Africa's export earnings in 1998 were based on platinum exports alone.

Clearly, the fragile, burgeoning economy of South Africa is reliant on a robust PGM market. Should the MIC endorse a policy that calls for the rapid disposal of PGM, South Africa will be materially and adversely impacted from the loss in jobs and the decline in export earnings. It is for this reason, as well as the reasons articulated in PGI's October 8th comments, that PGI strongly urges the MIC to call for a prudent and reasonable sale of PGMs from the stockpile.

Sincerely,


 Jacques Luben / Kimberly Day
 Platinum Guild International (NY)

Cc: James Courage, PGI London

MIC-41



ERAMET
M A R I E T T A

the
MANGANESE
SOURCE

STATEMENT OF ERAMET MARIETTA INC.
MARIETTA, OHIO
SUBMITTED TO THE
NATIONAL DEFENSE STOCKPILE
MARKET IMPACT COMMITTEE
PURSUANT TO
CHROMIUM METAL

Contact:
Robert N. Pyle, Government Relations
Eramet Marietta Inc.
1223 Potomac Street, NW
Washington, DC 20007-3212
Telephone: 202-333-8190
Facsimile: 202-337-3809

Eramet Marietta Inc., formerly, Elkem Metals Company, Marietta, Ohio is the sole producer of high purity Chromium Metal in the United States. As the only U.S. producer of Electrolytic Chromium (ElCr) and vacuum degassed Chromium (ElCr VG), we object to the proposal in the revised FY 2000 Annual Materials Plan to sell up to 500 tons per year of Chromium Metal from the Defense National Stockpile. From 1991 to 1994, Elkem supplied almost 60% of the current total inventory of ElCr VG in the stockpile. The DNS added approximately 788,031 pounds of VG in FY 1991; 2,157,571 pounds in FY 1992; 1,598,826 pounds in FY 1993; and 1,841,851 pounds in FY 1994, the last year of the program. All of this was produced by Elkem at Marietta.

The current inventory of Chromium Metal in the Defense National Stockpile is one of only four items in deficit. ElCr VG is a critical and strategic metal that is a major component of gas turbine engines and essential in several aircraft and aerospace applications.

The National Materials Advisory Board, Commission on Engineering and Technical Systems and the National Research Council, a branch of the National Science Foundation issued a report in 1995 which concluded that the U.S. should maintain its reserves of Chromium Metal. The general conclusions and recommendation of NRC report (NMAB-480) is summarized as follows "the Committee recommends that the

National Defense Stockpile maintain and continually upgrade to industry standards a sufficient quantity of high purity Chromium Metal to meet the industry's needs in the event of an emergency." The report cites the lack of domestic alternatives, supplier reliability and several scenarios for the disruption of supplies. A copy of the study was included in Elkem's submission in 1997 to the Market Impact Committee.

Current inventories of Chromium Metal in the Defense National Stockpile could accommodate the U.S. aerospace and aircraft industries for approximately 2 years. The committee report suggests this material is available in sufficient quantities to allow for start-up of new production facilities in the advent of an emergency. We find exception with the quality assumptions and applicability of the lower grade chrome metal which contains Sulfur greater than 50 parts per million and Nitrogen greater than 60 parts per million; as well as the ability to start up a new or inactive production facility.

World demand for high purity Chromium Metal languishes at approximately 20,000 metric tons per year. The majority of this demand is met with the production of 17,000 tons of alumino-thermic (AT) Chromium from various foreign sources. Eramet produces about 3,000 tons of high purity Chromium Metal (ElCr) a year. Of this, less than 1,200 is degassed vacuum grade (ElCr VG). We are very concerned that our limited market share would be severely impacted by proposed sales of up to 500 tons of Chromium Metal from the DNS. This is approximately half of Eramet's, the sole U.S. producer, annual output of ElCr VG, or the equivalent of one sixth of its total production of ElCr.

We would prefer that no chromium be sold, or that alumino-thermic (AT)

Chromium be sold first. Should the Market Impact Committee allow sales of high purity Chromium Metals, quantities for total annual sales should be limited to not more than 300 tons, and it should be restricted to not more than 1/3 EICr VG (100 tons) and 2/3 AT Chromium (200 tons). We would also recommend that the DNSC sell poorer quality material, with high sulfur and nitrogen, first. Finally, we would request an option for the right of first refusal for the purchase of any sales in order to prevent market disruption by the DLA.

In conclusion, our comments have illustrated the limited scope of the proposal to sell this material given the findings of the National Research Council, the potential harm to the domestic industry, and our concerns about the DLA's ability to sell materials into depressed markets. We have stated terms under which the sole U.S. producer could compete with sales by the Federal Government. We ask the Market Impact Committee to reject the request for disposal authority to sell Chromium Metal unless the domestic industry's requests are accommodated.

Eramet welcomes an opportunity to meet with the Market Impact Committee to discuss Chromium Metal disposal from the Defense National Stockpile.

Chemical & Metallurgical Products

MIC-5

**OSRAM
SYLVANIA**

November 4, 1999

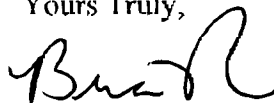
Mr. Richard V. Meyers
Co-Chair
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876
U. S. Department of Commerce
14th Street & Constitution Avenue N.W.
Washington, DC 20230

Re: Comments on Potential Market Impact of Proposed Disposal Levels in Annual
Materials Plans for FY 2000 and FY 2001.

OSRAM SYLVANIA, a U.S. manufacturer, files herewith its comments on the potential market impact of proposed disposals of tungsten ore concentrates from the Defense National Stockpile as set forth in your Committee's Federal Register notice of October 8, 1999 (Volume 64, Number 195.)

If you or any member of the Committee has any questions, please contact me at (570) 268-5526.

Yours Truly,



Brian M. Ross
Materials Manager

Enclosure

**POTENTIAL IMPACT OF PROPOSED
FY'2000 AND FY'2001 ANNUAL MATERIALS PLAN
FOR TUNGSTEN ORE CONCENTRATES**

OSRAM SYLVANIA, a U.S. manufacturer with over ten thousand (10,000) employees in twenty-nine (29) states, submits the following comments to the National Defense Stockpile Market Impact Committee on the proposed Annual materials Plan for FY'00 and FY'01 as requested in the Federal Registry (64 Fed. Reg. 54863 et seq. (October 8, 1999)).

The purpose of the Committee's analysis is to fulfill the statutory requirements that efforts be made "to avoid undue disruption of the usual markets of producers, processors and consumers" while maximizing revenues for the U.S. (50 U.S.C Sec., 98c(b)).

It is clear that "undue disruption" and serious harm to the U.S. Tungsten manufacturing industry would arise from the release of too little, not too much, tungsten ore concentrates from the DLA stockpile.

Industry events of 1999 have not altered the fact that the U. S. tungsten industry still faces an impending and critical shortage of available tungsten ore concentrates, a material OSRAM SYLVANIA and other U.S. tungsten products manufacturers require for their operations. From a supply standpoint, the shortage is driven by the following factors:

(1) There is NO U.S. mining of tungsten ore (and has not been since 1988) See USGS - Tungsten - 1998 Annual Review pg 1-2 (Enclosure 1); USGS - Tungsten - 1997 Annual Review pg 1-2 (Enclosure 2); Avocet Mining PLC 1999 Annual Report, pg 3. (Enclosure 3).

(2) The previously utilized Soviet inventory of ore and concentrates is largely depleted, with most remaining stocks being consumed for internal downstream conversion and for consumption within the Soviet economy.

(3) Supply of ore concentrates from the Peoples Republic of China (PRC) has not occurred since 1991 with the 151% U.S. anti-dumping duty in place. Even with its impending removal on January 1, 2000, exports of ore concentrates from the PRC are not going to occur in the foreseeable future, as discussed herewithin.

(4) Western mining (outside of China) production has declined dramatically as numerous mine closures and reduced output operations are the result of an industry in the midst of depressed price levels.

U.S. tungsten products manufacturers, including OSRAM SYLVANIA, consume approximately fourteen million pounds/year of tungsten ore concentrates to produce tungsten products for the machine tool, lighting, automotive, mining, oil drilling, defense and other U.S. industries. OSRAM SYLVANIA itself consumes approximately eight million pounds/year of tungsten ore concentrates at its Chemical & Metallurgical Products facility at Towanda, Pennsylvania, which produces tungsten chemicals, powders, wire and fabricated parts. See OSRAM SYLVANIA Precision Materials & Components pp 9-10 (Enclosure 4)

The main source of tungsten ore concentrates for U.S. industry for the past five years had been the former Soviet Union, where an existing inventory of raw material has not been needed for what had been largely Soviet defense industry consumption. From 1994 - 1998, exports of ore concentrates to the U.S. was approximately 6500 metric tons annually (W contained) - approximately - fifty percent (50%) of U.S. industry's annual consumption. It must be pointed out that the massive "sell-off" of the former Soviet Union stockpile were uncontrolled sales that had no relationship to production or market costs. Although U.S. import records continue to show imports from Russian, this material represents the last tonnage of "prior" releases that have been warehoused in Europe the past few years. In other words, the Russian stockpile is coming to an abrupt end in the very near future. Since February of 1998, no "new" releases of major tonnage have occurred and what remains is now being diverted to internal downstream conversion (APT & oxide) primarily for domestic consumption. Metals Bulletin June 29, 1998 pg. 11 -Enclosure 5) & Metals Bulletin April 20, 1998 pg 2 (Enclosure 6).

China has seventy percent (60%) of the world's in-ground reserves of tungsten ore. However, this source has been unavailable to the U.S. industry since 1991 because the U.S. has imposed a one hundred fifty one per cent (151%) anti-dumping duty on imports of Chinese ore.

This past summer, the U.S. Dept. of Commerce conducted a sunset review on this anti-dumping duty imposed in 1991. No parties filed positions in the support of the duty. As a result, the anti-dumping duty will be lifted effective January 1, 2000. However, removal of this duty will not result in any sourcing of ore concentrates from China in the near future. High ranking Chinese industry & government officials have recently publicly stated (Metal Bulletin - 21, Oct 1999- pg 12 -(Enclosure 7)) at the 1999 International Tungsten Industry Association meeting in Japan, that China has no intent to sell ore concentrates. The China's tungsten industry halted their formal ore export program three years ago and their clear objective is to move to sell value-added, downstream products while cutting off the supply of tungsten raw material & intermediates (i.e. Ammonium Paratungstate - APT). APT, which is chemically processed from tungsten ore concentrates, is the primary tungsten commodity traded in the market. China dominates APT production and pricing. China has skirted the referenced U.S. ore tariff by shifting to downstream APT production and dumping APT and products therefrom (tungsten powder, tungsten carbide powder, sintered carbide and milled products) into the U.S. at below market pricing. Chinese APT competes with APT production (via ore concentrate feed) of OSRAM SYLVANIA and other U.S. producers of APT. Chinese imports of APT into the U.S. have increased by 350% and of tungsten and carbide powders by 1000% over the past few years. The Chinese are eroding the U.S. Tungsten processing and products vertically, level by level. These imports are displacing demand for products manufactured in the U.S. from tungsten ore concentrates and resultant intermediates. The Chinese strategy amounts to a serious trade practice violation and is not in the spirit of a "free trade", open market environment and if ultimately followed, will inflict serious damage to the entire U.S. tungsten industry.

U.S. producers of AP1 (consumers of tungsten ore concentrates), such as OSRAM SYLVANIA, and their customers need sources of tungsten ore concentrates. The continued release of ore concentrates from the U.S. Defense national stockpile is a necessary, irreplaceable and critical supply source of ore concentrates given the serious reduction of supply from the Russian stockpile, western mining and China's coordinated no-trade policies of ore concentrates. The successful 1999 DLA sales program of three million pounds demonstrated that the market demand for U.S. DLA material could be sold at a fair market price. Given these factors, OSRAM SYLVANIA urges the market impact committee to not only approve the three million pounds sales ceilings for ore concentrates, but raise the sales ceilings to five million pounds for both FY'00 and FY'01 AMP plans. It must be understood that five million pounds represents slightly less than 8% of the total primary worldwide tungsten supply. At these low percentages, there is little risk of causing a negative pricing impact on the market. The market demand will support the added supply especially considering the reduction of ore concentrate supply from all other sources.

These sales will implement the intent of Congress and the Administration to sell these concentrates over a period of years to raise Department of Defense revenue while supporting U.S. industry to grow and to compete on a global basis. The availability of tungsten ore (not the withholding of it) will catalyze, not impede, the working of the U.S. free market, as the committee's governing statute requires.

ENCLOSURE 1

TUNGSTEN

By Kim S. Shedd

Domestic survey data and tables were prepared by Loren K. Duncan, statistical assistant, and the world production table was prepared by Glenn J. Wallace, international data coordinator.

Tungsten has a wide range of industrial uses, the largest of which is as tungsten carbide in cemented carbides. Cemented carbides (also called hardmetals) are wear-resistant materials used by the metalworking, mining, and construction industries. Tungsten metal wires, electrodes, and/or contacts are used in lighting, electronic, electrical, heating, and welding applications. Tungsten is also used to make heavy metal alloys for armaments; heat sinks, and high-density applications, such as weights and counterweights; superalloys for turbine blades; tool steels; and wear-resistant alloy parts and coatings. Chemical uses of tungsten include catalysts, inorganic pigments, and high-temperature lubricants.

In early 1998, demand for tungsten was strong, and supplies of raw materials were reportedly tightening (Ryan's Notes, 1998a). Concern for the future availability of stockpiled Russian tungsten led to forecasts of short supplies and increasing prices by summer. Instead, demand for tungsten decreased, at least in part resulting from the Asian financial crisis, the General Motors strike, a decline in oil drilling, and a seasonal decrease in industrial activity during the summer months. Consequently, prices decreased (Ryan's Notes, 1998b; Bunting, 1999).

* U.S. tungsten mines remained closed in 1998. Domestic production of ammonium paratungstate decreased, while U.S. net production of primary tungsten products (tungsten carbide powder, tungsten chemicals, and tungsten metal powder) increased. In 1998, U.S. industries consumed more tungsten to make end-use products than in 1997.

China continued to be the largest supplier of tungsten imports to the United States. Russia was also a significant supplier. In 1998, 62% of all tungsten imports to the United States was from these two countries.

In October, the U.S. Congress authorized the sale of tungsten materials from the National Defense Stockpile (NDS). The last releases of tungsten from the NDS were during the ferroalloy upgrading program, which was completed in 1989. Tungsten ores and concentrates were released as payment in support of that program.

The important U.S. and world tungsten statistics for 1998 and the previous 4 years are listed in table 1. Most data in this report have been rounded to three significant digits. Totals and percentages were calculated from unrounded numbers.

Tungsten prices and many tungsten statistics are quoted in units of tungsten trioxide (WO_3). The short ton unit, used in the United States, is 1% of a short ton (20 pounds), and WO_3 is 79.3% tungsten. A short ton unit of WO_3 , therefore, equals 20 pounds of WO_3 , and contains 7.19 kilograms (15.86 pounds) of tungsten. The metric ton unit, used in most other countries, is

1% of a metric ton (10 kilograms). A metric ton unit of WO_3 , therefore, equals 10 kilograms of WO_3 , and contains 7.93 kilograms (17.48 pounds) of tungsten.

Legislation and Government Programs

The antidumping duty on U.S. imports of tungsten ore concentrates from China, imposed in October 1991, remained at 151%. In March, the European Commission announced that it was terminating its antidumping duties on imports of tungsten materials from China under the following two categories: tungsten ores and concentrates and tungstic oxide and tungstic acid (Europe, March 21, 1998, Common commercial policy (11/21), Bulletin EU 3-1998, accessed July 27, 1999, at URL <http://europa.eu.int/abc/doc/off/bull/en/9803/p103030.htm>; Europe, March 21, 1998, Common commercial policy (12/21), Bulletin EU 3-1998, accessed July 27, 1999, at URL <http://europa.eu.int/abc/doc/off/bull/en/9803/p103031.htm>). In April, The Council of the European Union decided to reimpose an antidumping duty on imports of tungsten carbide and fused tungsten carbide originating in China (Eur-Lex, April 9, 1998, Community legislation in force, Document 398R0771, accessed July 27, 1999, at URL http://europa.eu.int/eur-lex/en/lif/dat/1998/en_398R0771.html).

In September, the NDS Market Impact Committee requested public comment on the potential impact of tungsten sales from the NDS in the event that disposal authority for tungsten was granted by Congress. The request for comments gave proposed annual disposal levels for the fiscal years beginning October 1, 1998, and October 1, 1999. For each year, the proposed maximum quantities of tungsten materials that could be sold were as follows, in metric tons of contained tungsten: tungsten ores and concentrates, 680; tungsten carbide powder, 454; tungsten metal powder, 68; and ferrotungsten, 45 (Bureau of Export Administration, 1998a). Authorization for tungsten sales from the NDS was granted in October with the passage of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261). The act granted authority to dispose of all the tungsten materials in the NDS, but stated that disposals must not result in undue disruption of the usual markets of producers, processors, and consumers of the materials or avoidable loss to the United States. In November, the Market Impact Committee requested public comment on an increase in the Annual Materials Plan (AMP) for ferrotungsten to 181 metric tons (t) (Bureau of Export Administration, 1998b). In early 1999, final AMP levels for fiscal year 1999 were established as follows, in tons of contained tungsten: tungsten ores and concentrates, 1,360; tungsten carbide powder,

ENCLOSURE 7

454; ferrotungsten, 136; and tungsten metal powder, 68 (Defense National Stockpile Center, 1999).

The NDS Inventory of combined stockpile- and nonstockpile-grade tungsten materials on December 31 was as follows, in tons of contained tungsten: tungsten ores and concentrates, 34,600; tungsten carbide powder, 922; ferrotungsten, 918; and tungsten metal powder, 861.

The U.S. Fish and Wildlife Service (FWS) gave temporary conditional approval to three tungsten-based shot products for the 1998-99 migratory bird hunting season. Approval for tungsten-iron shot was an extension of the temporary approval granted for the 1997-98 season. This shot, manufactured by Federal Cartridge Co. of Anoka, MN, is a two-phase alloy made by sintering tungsten and iron. The other two shot products were tungsten-polymer and tungsten-matrix. Tungsten-polymer shot, also manufactured by Federal Cartridge, comprised of approximately 95.5% elemental tungsten in a matrix of approximately 4.5% Nylon 6. Tungsten-matrix shot, manufactured by Kent Cartridge Manufacturing Co. of Kearneysville, WV, was made from a mixture of approximately 95.9% tungsten metal powder and 4.1% polymers. Use of the three shot materials was approved for all areas except the Yukon-Kuskokwim Delta in Alaska. Use in that area will depend on the results of chronic toxicity and reproductive tests being performed for the FWS (U.S. Fish and Wildlife Service, 1998a, b, c).

Production

Domestic production data for tungsten are based on data collected by the U.S. Geological Survey (USGS) by means of two separate voluntary surveys. Statistics resulting from these surveys are listed in tables 1 and 2.

The annual Tungsten Ore and Concentrate Survey covered the production, purchases, disposition, and stocks of tungsten ores and concentrates. No tungsten was mined in the United States in 1998. The Pine Creek Mine in Bishop, CA, owned equally by Avocet Mining PLC (Avocet) and Strategic Minerals Corp., remained under care and maintenance.

The monthly Tungsten Concentrate and Tungsten Products Survey canvassed companies that produced tungsten carbide powder, tungsten chemicals, and/or tungsten metal powder from ammonium paratungstate, tungsten-bearing scrap, and tungsten concentrate. The USGS received responses from 11 of the 12 processing operations on the survey; estimates were made for the nonresponding operation. Major U.S. processors of tungsten materials in 1998 included Avocet Tungsten Inc., Bishop, CA, Buffalo Tungsten Inc., Depew, NY, OM Group, Inc. (formerly The Dow Chemical Company), Midland, MI, General Electric Co., Euclid, OH, Konnametal Inc., Latrobe, PA, and Fallon, NV, Osram Sylvania, Inc., Towanda, PA, and Teledyne Metalworking Products, Huntsville, AL.

In 1998, U.S. processors consumed significantly less tungsten concentrate and 18% more tungsten-bearing scrap than in 1997. Domestic production of ammonium paratungstate decreased by 14% in 1998 compared with that of 1997. U.S. processors consumed nearly the same amount of ammonium paratungstate during both years. Total net production of all primary tungsten

products (hydrogen-reduced metal powder, tungsten carbide powder, and tungsten chemicals) increased by 22% in 1998 compared with that of 1997.

Avocet Tungsten produced ammonium paratungstate and ammonium metatungstate from imported concentrates at its tungsten processing plant in Bishop, CA. As part of an effort to produce and sell value-added products, the company commissioned a calciner with a capacity of approximately 4,500 metric ton units per month to convert ammonium paratungstate to blue oxide ($W_{20}O_{10}$), which can then be reduced to tungsten metal powder. Although ammonium paratungstate production at the Bishop plant has steadily increased in recent years, Avocet Tungsten planned to decrease its future output of ammonium paratungstate significantly in response to market conditions (Avocet Mining PLC, 1998a, p. 10).

In April, OM Group of Cleveland, OH, purchased The Dow Chemical Company's rapid carbothermal reduction technology for producing submicron-sized tungsten carbide powders. The submicron powders are used to produce circular magnetic tape slitters for video, audio, and computer memory magnetic tape; high-performance woodcutting drills and saw blades; microdrills for printed circuit boards; rotary cutting dies; and shear knives for cutting medical and industrial x-ray film. OM Group planned to continue operations at the Midland, MI, production facility (OM Group, Inc., 1998).

During the year, OM Group expanded its Apex cobalt facility in St. George, UT. The expansion will enable the recycling of soft and hard cemented carbide scrap to produce ammonium paratungstate (Magdics, 1998, p. 19, 22, 31; OM Group, Inc., 1999, p. 3).

Nanodyne Inc. began construction of a full-scale plant in Laurinburg, NC, to produce composite metal powders with nanometer-sized grains. Nanodyne's proprietary spray-conversion process had been demonstrated at the company's pilot plant in New Brunswick, NJ, where it produced approximately 40 tons per year (t/yr) of nanocrystalline tungsten carbide-cobalt powder during the past 5 years. The Laurinburg plant, which will have a capacity of 500 t/yr of powder, was scheduled to open in early 1999. In addition to tungsten carbide-cobalt powders, Nanodyne was also developing tungsten-silver and tungsten-copper powders to be used as electrical contacts by the semiconductor industry (American Metal Market, 1998a). During the year, N.V. Union Minière S.A. of Brussels, Belgium, a nonferrous metals producer, increased its stake in Nanodyne from 27% to 100% (N.V. Union Minière S.A., 1999, p. 3).

410 tons / yr

Consumption

Data on U.S. consumption of tungsten in end-use categories were developed from the voluntary Consolidated Consumers Survey of U.S. metal consumers. For this survey, nearly 75 tungsten consumers were canvassed on a monthly or annual basis. Reported consumption and stocks data in tables 1 and 3 include estimates to account for nonrespondents. Total U.S. reported consumption of tungsten materials to make alloys; catalysts; cemented carbides; mill products, such as lamp filaments and electrodes; and pigments increased by 8% in 1998

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totals

pg 2

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ENCLOSURE 2

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Mineral Industry Surveys

TUNGSTEN

1997 Annual Review

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Tungsten has a wide range of industrial uses. The largest use is as tungsten carbide in cemented carbides. Cemented carbides (also called hardmetals) are wear-resistant materials used by the metalworking, mining, and construction industries. Tungsten metal wires, electrodes, and/or contacts are used in lighting, electronic, electrical, heating, and welding applications. Tungsten is also used to make tool steels, wear-resistant alloy parts and coatings, superalloys for turbine blades, and heavy metal alloys for armaments and high-density uses, such as weights and counterweights. Chemical uses of tungsten include catalysts, inorganic pigments, and high-temperature lubricants.

* U.S. tungsten mines remained closed in 1997 because of persistent low prices for tungsten concentrates. Concentrate prices reported in Metal Bulletin and Platt's Metals Week decreased in 1997 compared with those of the previous year.

In 1997, significant increases in U.S. imports of tungsten ores and concentrates and ammonium paratungstate enabled U.S. net production of primary tungsten products to increase by 8%. U.S. industry consumed 7% more tungsten to make alloys, cemented carbides, mill products for lighting and other applications, catalysts, and pigments than in 1996. These consumers used imported and domestically produced primary tungsten products.

China continued to be the largest supplier of tungsten imports to the United States. Russia was also a significant supplier. Nearly 60% of all tungsten imports to the United States in recent years has been from these two countries.

A summary of the important U.S. and world tungsten statistics for 1997 and the previous 4 years is listed in table 1. Most data in this report have been rounded to three significant digits. Totals and percentages were calculated from unrounded numbers.

Tungsten concentrate and ammonium paratungstate are sold in units of tungsten trioxide (WO_3), which is 79.3% tungsten. In the United States, sales are in short ton units of WO_3 ; a short ton unit is 1% of a short ton, or 20 pounds. Therefore, a short ton unit of

WO_3 equals 20 pounds (9.07 kilograms) of WO_3 and contains 15.86 pounds (7.19 kilograms) of tungsten. In most other countries, tungsten concentrates are sold in metric ton units. A metric ton unit is 1% of a metric ton, or 10 kilograms. A metric ton unit of WO_3 contains 7.93 kilograms (17.48 pounds) of tungsten.

Legislation and Government Programs

The antidumping duty on U.S. imports of tungsten ore concentrates from China, imposed in October 1991, remained at 151%.

In August, the U.S. Fish and Wildlife Service temporarily approved tungsten-iron shot for the 1997-98 migratory bird hunting season. The shot, produced by Federal Cartridge Co. of Anoka, MN, is a two-phase alloy made by sintering tungsten and iron (U.S. Department of the Interior, 1997).

In October, the National Defense Stockpile (NDS) Market Impact Committee requested public comment on the potential impact of tungsten sales from the NDS in the event that disposal authority for tungsten was granted by Congress. The request for comments gave proposed annual disposal levels for the fiscal years beginning October 1, 1997, and October 1, 1998. For each year, the proposed maximum quantities of tungsten materials that could be sold were as follows, in tons of contained tungsten: tungsten ores and concentrates, 454; ferrotungsten, 45; tungsten carbide powder, 45; and tungsten metal powder, 45 (U.S. Department of Commerce, 1997). By yearend, the U.S. Department of Defense had not received congressional authority for disposal of the materials. The NDS inventory of combined stockpile- and nonstockpile-grade tungsten materials on December 31 was as follows, in tons of contained tungsten: tungsten ores and concentrates, 34,635; tungsten carbide powder, 922; ferrotungsten, 918; and tungsten metal powder, 861.

ENCLOSURE 2

Production

Domestic production data for tungsten are based on data collected by the U.S. Geological Survey (USGS) by means of two separate voluntary surveys. Statistics on production, consumption, and stocks resulting from these surveys are listed in tables 1 and 2.

The annual Tungsten Ore and Concentrate survey covered the production, purchases, disposition, and stocks of tungsten ore and concentrates. No tungsten was mined in the United States in 1997. The Pine Creek Mine in Bishop, CA, owned by Avocet Mining PLC (50%) and Strategic Minerals Corp. (50%), remained under care and maintenance. New Concept Mining Inc., a subsidiary of American Technologies Group, Inc., of Monrovia, CA, planned to sell, lease, or dispose of its investments in the Tempiute mining district in Lincoln County, NV (American Technologies Group, Inc., 1997). New Concept's assets in Tempiute include the former Emerson tungsten mine and mill, which closed in 1982.

The monthly Tungsten Concentrate and Tungsten Products survey canvassed companies that produced tungsten metal powder, tungsten carbide powder, and/or tungsten chemicals from raw materials, such as tungsten concentrate, ammonium paratungstate, and tungsten-bearing scrap. The USGS received responses from all 12 processing operations on the survey. Major U.S. processors of tungsten materials in 1997 included Avocet Tungsten Inc., Bishop, CA, Buffalo Tungsten Inc., Depew, NY, Dow Chemical Co., Midland, MI, General Electric Co., Euclid, OH, Kennametal Inc., Latrobe, PA, and Fallon, NV, Osram Sylvania, Inc., Towanda, PA, and Teledyne Advanced Materials, Huntsville, AL.

In 1997, U.S. processors consumed 25% more tungsten concentrate, 19% more ammonium paratungstate, and 12% more tungsten-bearing scrap than they did in 1996. Domestic production of ammonium paratungstate increased 13% in 1997 compared with production in 1996. Total net production of all tungsten products (hydrogen-reduced metal powder, tungsten carbide powder, and tungsten chemicals) increased by 8% in 1997 compared with that of 1996.

Avocet Tungsten Inc. worked on upgrading equipment and removing bottlenecks at its tungsten-processing plant in Bishop, CA. These improvements were expected to nearly double the plant's throughput and to eliminate the need for external conversion. Production from the plant increased by 14% in the fiscal year ending March 1997 compared with that of the previous fiscal year (Avocet Mining PLC, 1997a). The plant produced ammonium paratungstate and ammonium metatungstate from imported concentrates.

N.V. Union Minière S.A. of Brussels, Belgium, purchased a 27% share in Nanodyne Inc., a New Brunswick, NJ, producer of composite metal powders of nanometer-sized grains. Nanodyne's proprietary spray-conversion process to produce nanocrystalline tungsten carbide-cobalt powder has been demonstrated on a pilot-plant scale at the New Jersey site. The investment from Union Minière will allow Nanodyne to build a commercial-scale plant in Laurinburg, NC, next to Union Minière's Carolmet cobalt metal powder plant. Nanodyne expected its Laurinburg plant to reach a production rate of 500 metric tons per year of powder in late 1998 (American Metal Market, 1997; N.V. Union Minière S.A., 1997).

Consumption

Data on U.S. consumption of tungsten materials in end-use categories were developed from the voluntary Consolidated

Consumers survey of U.S. metal consumers. For this survey, nearly 75 tungsten consumers were canvassed on a monthly (annual basis). Reported consumption and stocks data in tables 1 and 3 include estimates to account for nonrespondents. Total U.S. reported consumption of tungsten materials to make alloy-cemented carbides; mill products, such as lamp filaments and electrodes; catalysts; and pigments increased by 7% in 1997 compared with that of 1996. In 1997, U.S. consumption of tungsten metal powder, tungsten carbide powder, tungsten chemicals, and tungsten-bearing scrap increased, while consumption of ferrotungsten decreased. Producers of alloy (other than superalloys), catalysts, cemented carbides, pigments and mill products for lighting and other industries reported increased tungsten consumption in 1997. Total tungsten consumption by steel manufacturers decreased in 1997 compared with that of 1996, while tungsten consumption by superalloy melters has been basically the same for the last 2 years.

Weekly reports of the number of operating drilling rigs give an indication of the demand for cemented carbide components by the oil drilling industry. The average number of rigs operating in the United States during 1997 was 21% higher than that of 1996. Following a low of 807 rigs in February, the count increased to a high of 1,032 rigs in September, then fluctuated between 947 and 1,019 rigs until yearend (International Association of Drilling Contractors, IADC rotary rig report, accessed weekly at URL <http://www.iadc.org/rigcount.htm>).

U.S. consumption of tungsten scrap increased 10% in 1997. Scrap consumption by U.S. tungsten processors and consumers was 2,930 tons of contained tungsten in 1997 compared with 2,670 tons (revised) in 1996.

Prices

Prices for tungsten concentrates and ammonium paratungstate remained low in 1997. In general, prices were higher during the first half of the year and lower during the second half. The average of tungsten concentrate prices reported by Metal Bulletin in 1997 was 10% lower than the average of prices reported in 1996. The average of U.S. spot prices reported by Platt's Metals Week in 1997 was 3% lower than that of 1996. Monthly concentrate prices and annual averages are listed in table 4.

U.S. ammonium paratungstate prices decreased progressively during the year. The average of high and low prices reported by Platt's Metals Week decreased from \$88 per short ton unit (\$96 per metric ton unit) in January to \$67 per short ton unit (\$74 per metric ton unit) in December. The average of U.S. ammonium paratungstate prices reported by Metal Bulletin decreased from \$76 per short ton unit (\$84 per metric ton unit) in January to \$64 per short ton unit (\$71 per metric ton unit) by yearend.

Ammonium paratungstate prices quoted in Metal Bulletin for the European and Hong Kong markets were more variable than those for the U.S. market. The average European ammonium paratungstate price was highest during February and March at \$72 per metric ton unit and lowest during August at \$56 per metric ton unit. The average Hong Kong price was highest during late January through mid May at \$64 per metric ton unit and lowest during August at \$53 per metric ton unit.

Mine executives at the Seventh International Tungsten Symposium in September, 1996, stated that tungsten concentrate prices would need to increase to more than \$80 per metric ton unit

ENCLOSURE 3

Bishop Plant and Pine Creek Mine, U.S.A.

In 1995, Avocet's wholly owned subsidiary, Avocet Tungsten, Inc., acquired a 100% interest in the Bishop tungsten treatment plant and a 50% interest in the nearby Pine Creek tungsten mine located in east central California. Bishop's principal product is APT that it produces from ore concentrates and tungsten bearing scrap and other waste products. It also has facilities for converting APT to blue oxide and ammonium metatungstate (AMT), and for upgrading tungsten powders. Pine Creek has been on care and maintenance since 1992. For the year ending 31 March 1999, Bishop's production of APT and AMT was only 47,000 mtus as most sales were met through reductions in stock that was built up during the previous year when production was 301,000 mtus. In September 1996, Bishop's workforce of 60 personnel was substantially reduced and now comprises 16 personnel. Since year end, Bishop has continued to produce at approximately 20% of its capacity, but with a new management team that has concentrated on, and had some success in reducing costs, improving the commercial terms of its sales, and generating value added sales. Even so, the directors of Avocet have determined that, considering Bishop's inherent-cost structure, the probability of Bishop returning to an acceptable level of profitability with the widening of margins between the price of APT and feedstocks is an unacceptable risk for the company. Accordingly, the directors have instructed Avocet's executive management to either ensure Bishop's future through sales contracts or joint ventures with strategic partners, or sell or close the operations. In the meantime, Bishop will only sustain its production with feedstock inventories that could be depleted by December 1999. ★

Lermontov, Russia

Avocet's 10.6% interest in the Lermontov tungsten mine, located in the Russian Far East, was purchased in 1995 with the intent of establishing a relationship with a producer of feedstock for the Bishop APT Plant.

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Tungsten & Molybdenum Products

ENCLOSURE 4

Leading the world in high tech materials science

OSRAM SYLVANIA is a world-recognized leader in powder technology, high-temperature metallurgy, and inorganic chemistry. The Chemical & Metallurgical Products division (Chem & Met) in Towanda, PA is a leading producer of tungsten and molybdenum chemicals, powders, mill products and fabricated parts.

Serving varied industries

Starting with ore concentrates, refined oxides and selected scrap materials, Chem & Met produces a wide variety of materials and products used in the manufacture of metal working tools for cutting, rolling, and stamping; high temperature jet engine components and protective coatings; circuit manufacturing chemicals for microelectronics and catalysts for petrochemical processing.

Refractory metals

Refractory metal products are used by various materials processing industries. Tungsten carbide powder and ready-to-use tungsten carbide grade mix are major products of the refractory metals product line. Both products are custom designed and manufactured to meet the specialized requirements of individual manufacturers of cemented tungsten carbide products, including cutting

tools for the metalworking industry, wear-resistant components, and tooling for manufacturing soda cans.

Refractory Chemicals

OSRAM SYLVANIA is the world's largest supplier of ammonium paratungstate, which is the key feed chemical for all downstream tungsten products. Ammonium metatungstate is used as a catalyst in refining oil. One of the many uses of tungsten oxide is in the production of glass opacifiers that block out sunlight.

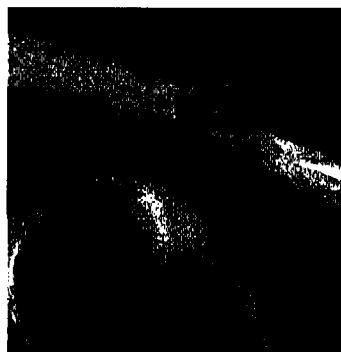
Wire Products

Chem & Met is a leading world supplier of non-sag

tungsten wire used in the lighting industry and of redraw wire for sale to fine wire producers. Tungsten welding electrodes, used in tungsten inert gas (TIG) welding, are sold under branded and private labels. Tungsten and molybdenum custom parts are formed for use in business machines, power tubes, electrostatic precipitators and other electrical/electronic equipment. Other molybdenum products include spray wire for the hardfacing of automotive piston rings and gold-plated molybdenum wire for telecommunication satellites.

Technological Innovations

Chem & Met is noted most for its advancement of the state-of-the-art. For example, Towanda has created Tungstar™, a pre-infiltrated powder that enables the powder metallurgy processing of tungsten-copper components to near-net shape. Wolfrax™, a specialty tungsten powder, provides producers of electronic packages (for high-end computer chips) an advantage — a high level of control over the flatness of their product and its electrical characteristics. New processes, such as spheroidization, whereby an irregular shaped powder is converted into a perfect sphere, demonstrate OSRAM SYLVANIA's continual push for technological innovations.



Injection molded microelectronic tungsten copper power package

ENCLOSURE 5



Rich Scheithauer
Dave Vine
Bob Fillnow
Brian Ross
Ray Heath
F.Y.I. - Rich Taubar
6/30/98 S

US tungsten prices dwindle despite supply contraction

FROM OUR NEW YORK OFFICE

US tungsten consumers and others in the industry are becoming ever more concerned that exports of Russian concentrates from government stockpiles may be at an end. Meanwhile, prices have fallen too low for most miners to stay in operation. This has at times led to an odd situation in which a consumer was motivated to complain, sometimes through merchants, that APT prices are too low.

APT prices in the US market have steadily declined during the first half of the year and now sit in a range of \$55-59 per short ton unit for most transactions of standard grade material, although a few suppliers are still sometimes able to get substantially higher prices for special grades or transactions involving small amounts. Prices were in a range of \$62-68 per stn nine months ago.

Demand nevertheless

remained reasonably strong in most market economy nations until late May, when it began to slacken, according to industry sources. This trend is echoed in scrap prices. While scrap has generally been in rather tight supply, prices began to come off recently and are now down by as much as 5% from first-quarter levels.

The most recent statistics put out by East Asian governments were published in April and show continued strong activity there, but one merchant noted that nobody believes later statistics will continue to show such an optimistic picture in view of the region's continued economic woes. Meanwhile, the summer slowdown is beginning to take a toll, especially in Europe.

A key question overhanging the market is the future of Russian exports, the lack of which could eventually pressure prices higher at last. The industry has for some years relied on more or less regular

concentrate exports from the government stockpile. An estimated 1,000-2,000 tonnes of concentrates have been released from the Russian stockpile within the past two to three months, but the general consensus is that little or no material will be released in the future as Russian consumers lobby to have all further releases directed to domestic users only. This material had to be processed within Russia and most of the ore is believed to have gone to ferro-tungsten plants rather than to yellow oxide producers. Russia at the beginning of the year had indicated that 5,000 tonnes would be released for export, but industry insiders say there is little or no chance of that amount finding its way to the West this year and it is most likely to be earmarked for domestic consumers.

Many mines have had to close, the most recent being Avocet's Malaga mine in Peru with a capacity of about 3,000 mtu per year, which

stopped operating in February due to low prices. The company's Regina mine, also in Peru with a capacity of 7-8,000 mtu, has been shuttered since 1996. A number of independent small mines in Bolivia are also said to have shut down, though small amounts are thought to be still coming out — at a rate of

around 40-50 tpm — most of which is already spoken for in the US market.

The only other western mines still operating are Inmet's Wolfram Bergbau in Austria and the venerable Beralt mine in Portugal, in which Avocet holds a 50% stake. Beralt is currently not operating at full capacity.

Sadaci to lose production after lightning strike

FROM OUR NEW YORK OFFICE

Belgian ferro-vanadium converter Sadaci expects to lose three days' output as a result of a lightning strike which affected its vanadium furnace on June 20-21, according to informed sources.

The furnace was expected to be repaired by June 25 and the current ferro-vanadium campaign will be completed by July 6.

The plant is then closing for annual maintenance during July, with its next campaign set to start on August 3. Meanwhile, prices in the

European molybdenum market continues to soften. Moly oxide is now back below \$4 per lb, as offers from China have increased.

European consumers also claim they can buy 60% ferro-moly at around \$9.80 per kg, duty paid, delivered works.

Prices for ferro-vanadium 80% and 50% material are moving closer together, with 80% FeV in the mid-to-high \$27s. There is little interest in pentoxide which is just above \$6 per lb. Ferro-tungsten is also a little lower.

scrap and secondary metals

GM strike forces production cuts

FROM OUR NEW YORK OFFICE

As the strike at General Motors continues, the secondary aluminium industry is beginning to see some ripple effects. While GM had planned a two-week shut-

The flows are still not that great. The strike is going to be a long one!

down, the strike looks like it will extend beyond that time frame. Wabash Alloys ships molten metal to the GM plants.

"We're hoping [the strike] will be settled by the time they come back," said Wabash president Joe Viland. However, other market players are not as optimistic, many suggesting that the strike will probably drag on for at least the next month.

Wabash is suspending operations in several plants to compensate for the lack of demand. "And we wish other people would do the same," said Viland. Wabash's Cleveland plant will be shut for 7-10 days while its Dickson, Tennessee plants,

which supply GM's still operational Saturn plant, will cut back production.

Aluminium scrap and alloy inventories are expected to continue to climb as the strike drags on. "The flows still are not that great," commented one industry player. "The strike is going to be a long one," he further observed.

Prices for A380 ingot continue to be hit with some quotes as low as 58 cents per lb. Most market players are quoting around 58-60 cents per lb. "With GM out, it's really hard to deliver any material," one source said.

No more deliveries are reportedly being taken for June, and July deliveries are beginning to be rescheduled.

Trade sources have also been saying that there is quite a bit of scrap around. "I would rather sell than buy," stated one market observer.

The strike is beginning to look like a long one and market players are hoping to survive the next 30 days before making any drastic changes. Mixed low-copper, aluminium clips are being quoted at 43-45 cents per lb.

GM is looking to secure an arbitrator to help settle the dispute, alleging that the two strikes at the Flint, Michigan plants violate the union con-

tract. Presently, 146,000 non-striking workers have been idled due to parts shortages. Nearly all of GM's North American operations have been shut, including 26 major assembly lines and around 100 parts plants.

"It will impact this country and it could really get nasty," said a market source. He further suggested that GM may do more outsourcing or move operations to the southern part of the US or Mexico in the long-term, although the automaker will likely continue to buy from North America.

Price slide continues for British stainless and ferrous scrap

FROM OUR NEW YORK OFFICE

Prices for stainless and ferrous scrap continue to slip in the UK. A combination of weak local and overseas demand, partly caused by the impending summer shut-downs, are being cited as the reasons.

Weak nickel prices are also behind the drop in stainless scrap prices, which now stand at £300-320 for 18/8 solids delivered consumer and £200-220 for turnings. This reflects further drops of about £20 in the last two weeks. Merchants said they

Wise sells 50% interest to Tomra

FROM OUR NEW YORK OFFICE

Tomra North America has signed a letter of intent to acquire 50% of Wise Recycling. The sale is part of Wise's long-term strategic objective of diversifying its business into a full service trading, financial services and manufacturing organisation.

"This alliance will enable the companies to combine Wise's unique materials marketing expertise with Tomra's distinct collection systems and technology strengths,"

commented Wise Metals chairman Jerry David. "This joint venture will position both companies as a national presence in the collection and marketing of metal units," he added. Tomra, based in Stratford, Connecticut, manufactures reverse vending machines. The company operates 15 processing facilities throughout 32 countries with 7,500 machines in the USA and 35,000 machines worldwide.

"This really is an entry into non-deposit markets," a Tomra spokesman told MB, adding, "Wise brings the expertise in trading." The company offers fully integrated solutions for handling the return and processing of used beverage cans (UBCs).

In 1997, the company processed roughly 4.5bn UBCs and expects the volume to increase this year due to its recent acquisitions. "Our primary objective is to find recycling solutions," said the spokesman.

In March, Reynolds sold its central and eastern US recycling operations to Wise while Tomra acquired the west coast operations.

"The companies expect to leverage this national presence into increased volume and profitability," said David.

ENCLOSURE 6

Copy: Al Alper

Rich Schelthauer

Dave Vine

Bob Fillnow

Jim Christini

BRW ABS

FYI - Rich Taubar

keeps up, f
Finally, f
stockpile f
Only about
Klutchevsk print.

4/21/98

Tungsten supplies tighter—for real

Tungsten suppliers who have for years been warning that the supply deficit cannot be filled indefinitely by stockpile releases from Russia, Kazakhstan and China, may finally be vindicated. Even consumers acknowledge that concentrate and APT supplies are tight and could become critically short.

"We are seeing no problems yet," said a major APT consumer, "but eventually we could, maybe by the fourth quarter, depending on how much tungsten is released from Russia and how much the situation in Asia affects tungsten demand."

For now, sellers and consumers agree that demand is strong and that commercial stocks have been used up. China has no extra stocks, according to a knowledgeable source. "Supply from China is nervous," he said. "The Chinese will not quote forward for May, and only if you beg, will they quote for June."

Everyone is waiting to see what, if anything, will come out of Russia. "Once there is a sense that there is little ore left in the Russian stockpile, the market could rise quickly," said an observer. Already prices are consolidating at slightly higher numbers. Ore prices are \$45-48 per stu compared to \$42-45 and APT prices are \$55-60 per stu vs. \$50-53.

Analysts estimate that as much as one-third of US consumption last year was met by imports from Kazakhstan and Russia. The general consensus is that there is nothing left in the Kazakh stockpile, but there is no certainty about the content of the Russian stockpile. "The numbers are fuzzy because some of the Russian material consumed last year came from previous stockpile releases that had been sitting in warehouses for more than a year," noted an observer.

Market players report that they are not being offered wolfram from the Russian stockpile, but this might be because political turmoil within Russia has brought releases to a halt. Also, tungsten consumption within Russia reportedly has risen so that less material may be available for export. Finally some of the Russian stockpile concentrate is believed to be radioactive. "Even if the Russians ship the same amount as last year, it will not be enough," said a source, "because there is no longer excess Russian material sitting in Western warehouses and because there is not the buffer of Kazakh material."

Consumers and sellers are aware that the tungsten pipeline is rather long, and even if the Russians do start to release tungsten, there could be a six-month period of supply disruption. Adding fuel to the fire is the rise in tungsten scrap prices this year because of sparse supply.

The lack of Russian ferrotungsten exports late last year caused a rapid rise in prices that extended into this year. Taking advantage of the situation, China produced and shipped more FeW to Europe. This helped absorb some concentrates as APT producers and FeW producers are constantly vying for low-priced concentrates in China, but it may have resulted in a buildup of consumer FeW stocks.

FeW sellers are carefully monitoring releases of Russian material. They say there are not concerned about news that a 300-mt parcel is scheduled to arrive soon in Europe. "I would be worried about 600 mt, but 200 to 300 mt can easily be sold without disrupting the market," said a trader. In Europe,

Chinese FeW prices are \$6.70-7.10 per kg, while in the US prices for uncrushed FeW are \$3.40-3.60 per lb.

High-grade Si pushing prices down

The near-term outlook for silicon metal doesn't look too attractive. One large silicones manufacturer has reportedly told some of its suppliers that its chemical-grade requirements for the foreseeable future are less than expected; therefore, the manufacturer might be forced to postpone or even halt some contracted shipments. "The slowdown in Asia has been greater than anticipated, and some silicones producers' profit margins are really hurting," one analyst pointed out. "Silicones makers may be suffering from the same oversupply situation that is current plaguing silicon metal producers."

French, Spanish, and Norwegian producers were all accused of aggressively going after the remaining spot and second-quarter business.

Some European buyers, however, may find themselves suddenly short of metal. The EC buyers purchased "Swiss" material that was suspiciously like Chinese. After European producers protested to EU officials who then launched an investigation, the "Swiss" metal suddenly dried up. Now, according to some suppliers, buyers have been unable to get releases on the metal they thought they had.

US secondary aluminum buyers have been able to pick up increasing quantities of high quality (0.4% Fe and low calcium) at 66¢, delivered. "With chemical users taking less, high quality metal is available at low prices," one buyer said. Another buyer was offered slightly offgrade metal and countered with a 60¢ quote. "It will be sooner rather than later before metallurgical-grade prices break below the 65¢ level.

However, one supplier warned that Russian metal could become tighter. "The Russian producers probably don't know what their actual costs are," he noted, "but they are definitely paying more for transportation."

Hascor Hong Kong has signed a joint-venture agreement with Jinning Minmetals & Chemicals, which controls equity in two Chinese silicon metal plants. With the deal, Hascor will focus its attention on low-calcium silicon metal (low iron and 0.03% Ca), and will market about 6,000 mt over the next 12 months through its worldwide offices. Hascor has not made a final decision on building a Mexican silicon facility.

Pig iron drifts to \$142-145 per lt

Pig iron traders continue to be baffled by news that some of their colleagues have bought northern Brazilian material at \$136-137 per mt, f.o.b. To break even on these transactions, the traders would have to sell to a US consumer at \$150 per lt, f.o.b. barge New Orleans, and today spot prices are \$142-145 per lt, f.o.b. barge New Orleans.

Bargeload sales have been concluded at \$146-147 per lt, but there are no cargo inquiries as consumers are holding off buying as long as possible. The only reason prices for barges are as high as \$147 is that there is little unsold spot pig iron available. Normally this would indicate that prices are poised to rise, but today it means that most traders are reluctant to take a position because of concerns about an influx of low-priced Japanese and Ukrainian imports.

"Japan will continue to be influenced by the exchange rates and will continue to ship," said a trader. While Japanese delegations recently visited US mills and talked of low prices, they did not give any firm numbers, said a trader. Even so, he

China reshapes tungsten industry

ORES
FROM OUR TOKYO OFFICE

Continuing its efforts to transform its loss-making state non-ferrous enterprises into competitive businesses, the Chinese government plans to link ten state-owned tungsten mines in three provinces into one group to help enhance the competitiveness of China's tungsten industry. With a tungsten concentrate production capacity of 20,000 tpy and an APT smelting capacity of 6,000 tpy, the new entity — to be called the China Tungsten Mining & Smelting Group — "will be the biggest tungsten mining and smelting group in China and the world," claimed CNIEC vice president, Peng Bugang.

Brought under control of the new entity would be the Dajishan, Pangushan, Shizhuyuan and Yaogaxian mines which, together with APT smelters, would create a grouping to help China expand its tungsten markets, boost its competitiveness, and develop a technical base, Peng said. The CNIEC executive was in Fukuoka, Japan, last week addressing delegates attending the 8th International Tungsten Symposium organised by the International Tungsten Industry Assn.

China's new tungsten group would come under the purview of the China Rare Metals and Rare Earth Corp (CRRC) established on August 6 this year with other new firms in an attempt by China to shore up the country's aluminium and base metals operations (MB Aug 16). The reshaping of China's tungsten sector actually began in February, however, when a sub-grouping called the China Tungsten & Cemented Carbide Industry Corporation (CTCC) was established.

CTCC joined two of the country's leading cemented carbide works under chairman

Zhou Juqi, who is also president of the Zhuzhou Cemented Carbide Works in Hunan province. Zhuzhou is China's largest producer of cemented carbides with an annual capacity of around 3,000 tpy. Also melded into CTCC were Zigong Cemented Carbide in Sichuan province, which has a capacity of around 2,000 tpy, and Jinhai Industry, the two carbide makers' holding company.

The reorganisation of China's tungsten industry and the effect that reorganization is now having on APT prices generated, considerable discussion in Fukuoka. Peng reminded delegates of China's efforts, as the world's largest tungsten supplier with 60% of the world's reserves, to control total output to bring stability to world markets. Pointing to government efforts to close small mines, Peng said China's total output of tungsten ores (of 65% WO₃) dropped from 52,370 tonnes in 1994 to 51,680 tonnes in 1996 to 46,290 tonnes last year. He expects total output this year will reach around 45,000 tonnes.

Chinese exports of APT reached 12,600 tonnes last year and Peng expects the same this year "or maybe a little less," he told MB. China's production of concentrates last year reached about 23,000 tonnes (of contained tungsten) compared with 25,000 tonnes in 1997, according to ITIA secretary-general Michael Maby. "There is no estimate for production in 1999 but exports are currently at a rate which, if annualised, will reach the same level as 1998 [some 21,000 tonnes] and it may thus be expected that production will be much the same as last year," he said.

CNIEC's Peng stressed to delegates in Fukuoka that China sought stability in its tungsten sector. Forming the

CTCC and the Tungsten Mining & Smelting Group, Peng said, "will make China's tungsten industry advance in a sustainable, steady, healthy road." The halt called to China's exports of concentrates three years ago was part of this, Peng claimed, and reflected the government's desire to add value to the industry.

"APT has taken the place of concentrates though this is also a semi-finished product," Peng told MB. "Now there is tungsten carbide and powders but these two have little added value. Chinese producers want technical innovation to improve quality and add more value. But this will take time," Peng explained.

Beijing's efforts to control tungsten output have added value to present prices of APT as well, where levels now are between \$54 and \$56 per mtu — a 20% improvement over price levels three or four months ago. "I think this trend for pricing will be stabilised, little by little," Peng told MB. "\$54 to \$56 is a good price. We want to keep this level for a period of time," he said. Peng suggested that within the next half-year a price of around \$60 or even \$70 might be seen. "But we don't want the price to go up so quickly," he stressed.

It remains to be seen what impact if any the Chinese government's plans for reorganising the country's tungsten mining and smelting operations will have on APT prices. At the Fukuoka symposium, a representative from one of the Chinese carbide producers claimed that until he heard Peng's speech he had never heard of any plans to form a China Tungsten Mining & Smelting Group. The new entity was to be established within this year. "But maybe the timing will be extended. It's not decided," Peng told MB.

Ashanti gets extension from banks, lower offer from Lonmin

GOLD

Ashanti Goldfields has obtained a renewal of its standstill agreement with the 17 banks with which it conducts its derivatives business. The previous agreement expired on October 19 and the extension of the moratorium is only for 72 hours, although there is a possible further extension of up to a week.

The news followed a move by Lonmin to reduce its share exchange offer, valuing Ashanti shares at \$5.33 compared with the \$7 per share valuation of the old offer. Ashanti shares were quoted at \$4.50 on the stock market after Lonmin announced its new offer.

Lonmin's revised offer continues to be conditional upon the support of lenders under its \$270m revolving credit facility, the unanimous agreement of Ashanti's hedge counterparties to a standstill covering its existing obligations and shareholder approvals. It also requires the irrevocable commitment of the Ghanaian government (which has a 20% stake in Ashanti), plus the written

consent of Ghana's new minister of mines Ekwow Garbrah. On October 1 government sacked minister Fred Oshene who had publicly approved the deal.

The government appears to have a stronger position to decide to try to block Lonmin bid since recent pledge of financial support October 18 from Arabian investor, Prince Waleed Bin Talal Abdulaziz. Analysts say the government only 20% share in the company but others say that it intervenes to achieve its ends.

There is animosity between the government and Ashanti CEO Sam Jonah together with Lonmin (which has a stake in Ashanti), says a London analyst. The while the Ghanaian government wants to rescue Ashanti from its liquidity crisis does not want to play in the hands of Lonmin. However, equally it would not favour a merger with another African company, says Barrick, he said.

Mills proceed with Fe settlements in Europe

FERRO-ALLOYS

Following news at the start of last week that one of Europe's leading stainless steel mills had settled its fourth quarter ferro-chrome deliveries at a three cents per lb increase, it emerges that other mills are also settling at a similar level. A South African producer said that his company has only "one or two" contracts to conclude and that no mill has settled under three cents, bringing the range for this quarter's contracts to 37-43 cents.

A rival producer confirmed that other South African companies are also beginning to settle at 3 cents. He said that now that Europe is falling into place he expects Asia to settle this week and next.

He touted a rise of 5 cents over the first quarter of 2000, noting that his company is running very low on stocks and is going to have to defer a number of shipments this quarter until January.

Over the course of next year he said that there could be a deficit of some 5% if

stainless steel production conditions hold true. On the last two occasions occurred — in 1988 and — prices hit 80 cents, he said.

Traders report that moment spot business quiet, with mills concluding on contract by. Once they have assessed requirements for the year, activity is expected to pick up again.

One observer expressed optimism, saying that a cent quarterly increase leave room for traders to supply below the producers' level. Current spot are around 37 cents credited.

The third Eti Chrom ment of high carbon chrome this year has in New Orleans and recently being produced. Unloading of the 2 tonne shipment is expected to be completed by October. A company official says Eti will achieve higher for this shipment compared to the previous delivery.

Cobalt prices remain stable at lower levels

MINOR METALS

The cobalt market remains generally stable at levels around \$14.50-15.50 per lb for all grades, traders, producers and consumers said.

Consumers reported buying high grade material at just below \$15 per lb, with the trade reporting sales to consumers in some instances at close to \$16 per lb. On lower grades, buying was reported at levels of \$14.50-15.00 per lb, with some deals said to have gone in the mid-to-high \$15s. At the other end of the market, buying of 99.3% cobalt was reported at

around \$14 per lb. "The market is stable but lower," a European consumer said. "The DLA next week could be a good indication of the market. It is offering good quality material and it will be interesting to watch," he added.

Buyers also noted that they are keen to buy on a hand-to-mouth basis at the moment since they do not want any particular exposure to cobalt before the end of the year. They are also looking to sign fixed price contracts next year, which producers also seem to favour. Others said

they are exercising only the minimum portion of min-max contracts for current requirements, and if they have extra demand they are buying this from the spot market as there are some competitive offers about for all grades of cobalt.

In Japan, little business was reported, with the market much the same as it was last week. Market observers said that 99.3% material was going below \$15 per lb, for Russian, Zambian and Congo type grades. High-grade was reported in the low \$15s. "Nothing exciting is happening," a consumer said.

MIC-6

BRUSHWELLMAN
ENGINEERED MATERIALSBrush Wellman Inc.
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Elmore Ohio 43416-9502
Phone 419/862-4321
Telefax 419/862-4174**Hugh D. Hanes**
Vice President, Government Affairs

November 14, 1999

Mr. Richard V. Meyers, Co-Chairman
Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
U.S Department of Commerce, Room H-3876
14th Street and Constitution Ave, N.W.
Washington, DC 20230

Dear Mr. Meyers:

Re: Disposal of Beryllium from the National Defense Stockpile (NDS)

On behalf of Brush Wellman Inc. (Brush) I wish to submit the following comments regarding disposal of beryllium from the NDS. Brush is the only fully integrated manufacturer of the strategic and critical metal beryllium, its alloys and compounds. Therefore, any disposal of beryllium materials must be done carefully as it can adversely impact this highly complex manufacturing system, as well as the critical markets that it serves, if not done carefully.

We are pleased to note that over the past 2 years, we have successfully negotiated long-term contracts with the Defense Logistics Agency (DLA) for the sale of beryllium-copper master alloy and beryl ore. We have also negotiated a contract for the purchase of vacuum cast beryllium metal, which we hope will become the model for a long-term contract for this material as well. All this has been accomplished in a manner, which has been non-disruptive to both the beryllium manufacturing system and the markets which it serves. For this we think that the Market Impact Committee (MIC) and the DLA are to be commended.

However, there are still concerns as we go forward in the disposal of beryllium metal. As we have previously stated, disposal of the vacuum cast beryllium ingot or the Grade C Billet (I-400 grade according to the industry's specification) will not be disruptive and we support this being done in a controlled manner. The former is an intermediate form in the production of beryllium and high-beryllium alloys while the latter is an obsolete form of beryllium billet and has only limited use.

However, we remain strongly opposed to the disposal of any quantities of Grades A and B billet (grades S-200F and I-220 according to the industry's specifications). Today, this business segment is deeply depressed and any disposal of these grades at this time

Richard V. Meyers
November 14, 1999

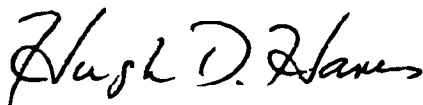
Page 2

would be highly disruptive. Furthermore, these grades, which were placed in the stockpile as recently as 1992, continue to be used in strategic and critical DOD and DOE applications.

We are working closely with the DLA to absorb most materials from the beryllium family in a non-disruptive manner. We are asking that the MIC, in their report to Congress, specifically note that these strategically important grades of beryllium billet should not be placed on the disposal list at this time.

If you have any questions, please call me at (419) 862-4321.

Very truly yours,



Hugh D. Hanes

Cc: Richard J. Connelly, DLA
Peter M. Steffes, HASC
Cord A. Sterling, SASC
George Bernier, Sen. Santorum's Office
Bill Johnson, Rep. Hansen's Office



MIC-8
MIC-7

SHIELDALLOY METALLURGICAL CORPORATION

November 30, 1999

12 WEST BOULEVARD
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Mr. Richard V. Meyers
Co-Chair, Stockpile Market Impact Committee
Office of Strategic Industries and Economic Security
Room 3876, U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, DC 20230

Dear Mr. Meyers;

Shieldalloy Metallurgical Corporation (SMC) is the US representative for London & Scandinavian Metallurgical Co. Limited (LSM) of Rotherham, England. SMC and LSM are Metallurg Group Companies. Metallurg is located in New York City. Our primary product from LSM is Chrome Metal, which we supply to the Superalloy industry as well as other specialty markets. I am writing to you to express our concern over the proposed sale of Chrome Metal from the National Defense Stockpile. We have specific reasons for concern.

We believe there was a recent release of approximately 1,000mt of Chrome Metal from the Russian Defense Stockpile. This material, we believe, will be the responsibility of Kluchevsk (the Russian producer of Chrome Metal). Kluchevsk will sell this material into the world's Chrome Metal market. This, combined with the proposed US Stockpile sale, will almost certainly maintain an over supply of Chrome Metal in an already depressed market.

World demand for Chrome Metal has declined by approximately 10% over the last several months. This is the result of a slow Superalloy and Aluminum industry. Demand is not expected to recover until (optimistically) the second half of 2000. Some feel the recovery will not take place until 2001. The decline in demand and general over supply has eroded prices to a level that we believe are neither sustainable nor profitable for the producer. The trader community is not impacted in the same manner as the producer.

To illustrate the decline in prices, we can review import values for Chrome Metal over the last four years. The price collapse is evident in the first half of 1999. For instance, the average import value of Chrome Metal through September 1999 was \$2.73/lb. This is compared to a 1996 average of \$3.24/lb., 1997 of \$3.36/lb., and 1998 of \$3.39/lb. The 1999 average (through September) import value decreased 19.5% when compared to the average 1998 value.

We (Shieldalloy Metallurgical Corporation) visited Mr. Richard J. Connelly on September 19, 1999 to express our concern (as a producer) over the possible sale of Chrome Metal. We left the Defense Logistics Agency (DLA) understanding the Market Impact Committee would make contact with us (as well as others) for further review of the possible sale of Chrome Metal. On November 18, I made contact with Mr. Peter C. Mory (present in our September 19, 1999 meeting) to review the status of the Market Impact Committee. To my surprise, Mr. Mory indicated you were close to finalizing your work.

Our immediate concern is the proposed sale of Chrome Metal. We would also like you to consider (for future sale of Chrome Metal) a different approach to reviewing "market impact". Please consider our concerns and contact us at your earliest convenience.

With Kindest Regards;

Joseph Marino
Shieldalloy Metallurgical Corporation