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Chemalloy

"Over Forty Years of Quality and Service"

Washington, D.C. 20510

SUBJECT: "Comments in Opposition to S. 1890 - A Bill To Suspend Temporarily The Duty On Manganese Flake Containing At Least 99.5 Percent by Weight of Manganese"

Dear Senate Finance Committee:

We are writing to you today to express the serious concerns of Chemalloy Company, Inc. ("Chemalloy") regarding S. 1890, introduced on October 26, 2009, legislation which would suspend the duty on imports of manganese metal flake. Chemalloy is located in Bryn Mawr, Pennsylvania, and has 90 employees. Chemalloy has purchased its manganese metal raw material from South Africa for well over 25 years. We use these products for the production of manganese nuggets - primarily for steel production, foundry and chemical products, and welding rod fluxes. This legislation would almost wholly benefit imports of manganese metal flake from the People's Republic of China at the expense of imports from the Republic of South Africa, and we hope that the Senate Finance Committee ("Committee") will not include this legislation in any miscellaneous tariff bill as it is both controversial and excessively expensive.

Since there is no U.S. production of manganese metal flake, Chemalloy relies upon South African imports. South Africa has proven itself as the most reliable and highest quality manganese supplier to the U.S. market. China is the only other major source of supply. However, Chinese products contain selenium, an environmentally toxic material which also results in an inferior product that is not acceptable or desirable for many applications.

Our South African supplier, Manganese Metal Company, indicates to us that its financial viability depends on its ability to export to the United States. South African manganese metal flake exports benefit from GSP duty-free treatment pursuant to the African Growth and Opportunity Act ("AGOA"), which is not available to China. Therefore, this legislation will provide a very valuable duty suspension that will effectively benefit only one exporting country -- the People's Republic of China.

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While Chemalloy fully supports free and open U.S. trade, we would have serious problems with a one-sided duty concession to China at the expense of South Africa. First, the impact on Chemalloy and its employees would be dramatic. We are vying for the business where a few cents differential means a won or lost sale. Producers in China have consistently undersold Chemalloy's manganese products over the past few years. Much of our business has been eroded because of low cost, government-subsidized manganese shipments from China. The sales tonnage of our manganese end products has dropped over 27% from 2007 to 2008 (from 11,832 net tons to 8,611 net tons, respectively), with sale of only 5,949 net tons in YTD 2009. Given the impact, we cannot support giving a benefit to ***Chinese*** producers that would in all likelihood continue to harm Chemalloy - ***a U.S. company***. We do not believe that our Congress should either.

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Second, at our plants in Cleveland, Ohio and Conshohocken, Pennsylvania we have federal regulations governing all of the following:

- Emergency Planning and Community Right-To-Know Act
- Sara Tier II Hazardous Waste Regulations
- Hazardous Waste Source Reduction Program
- State Regulation for Non-Hazardous Waste
- Stormwater Regulatory Controls/Permits
- Air Quality Regulations and Permits
- Department of Transportation - Hazardous Material Shipping Regulations
- U.S. DOT Form R Toxic Chemical Reliance Inventory
- U.S. DOT - Hazardous Material Recurrent Training
- IATA - Dangerous Goods Regulations
- OSHA (Occupational Safety & Health Act)
- MSDS (Material Safety Data Sheets)

Our principal supplier, Manganese Metal Company of South Africa, is also government-mandated to comply with similar regulations for health, safety, and the environment. As the Committee can see, we are regulated for safe working conditions, clean environment, air quality standards, surface and plant water cleanliness, waste disposal, etc. Neglecting for a moment the necessity of having personnel designated to oversee these government and state regulations, the cost for maintaining these standards are high and involve considerable extra man hours and expense. To the best of our knowledge, Chinese manganese producers have ***very little or no government regulation*** or concern regarding the environment. Chinese producers do not have the same type of standards and, therefore, their costs are lower. To give them an additional 14% cost advantage on top of all this would most likely ***sacrifice a U.S. company*** and its exclusive supplier and ***give the market to the Chinese***.

Air Quality Regulations and Permits
Department of Transportation - Hazardous Material Shipping Regulations

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Third, U.S.-China trade relations are currently strained because of a number of difficult issues-- the huge trade deficit with China, China's undervalued currency, lack of adequate food safety and intellectual property production, and a variety of alleged unfair trade practices. The President and the Congress are devoting a great deal of effort to enforcing WTO rules and U.S. tra[illegible] trade policy [illegible]

By contrast, South Africa has been pursing enhanced trade relations and resolution of trade issues with the United States. The United States has committed itself under AGOA to encourage the development of disadvantaged communities in South Africa and other African countries. As mentioned above, Manganese Metal Company's financial viability is dependent on the GSP benefits it receives from AGOA, and Chemalloy depends on Manganese Metal Company for a reliable supply of high-quality manganese flake.

Finally, it is our understanding that this legislation will result in revenue losses that far exceed the $500,000 revenue loss limits imposed by the House Ways and Means Committee for miscellaneous tariff bills. In YTD 2009, China exported approximately $10.7 million of manganese metal flake to the United States. If Congress were to suspend the current 14% duty, the revenue loss to the United States would be approximately $1.5 million.

In light of the above, S. 1890, duty suspension for imports of manganese metal flake, should be rejected and not included in a miscellaneous tariff bill because it is controversial, damages the environment, rewards China at the expense of both a U.S. company and South Africa, and results in large revenue losses.

We hope this information is informative and helpful. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

A. C. Demos

A. C. Demos, President
Chemalloy Company, Inc.

ACD:vjl