

Frequently asked questions regarding Material Surcharges

What is a Material Surcharge?

- A surcharge is a special charge made to cover unusual, unavoidable, temporary costs incurred in the production of our alloy castings. Alloy (or metal) surcharges are applied when the cost to the foundry of metallic raw materials increases greatly from the costs included in normal costing tables.

How are alloy surcharges determined?

- The cost of each different alloy is calculated using the latest cost information available for each raw material used in that alloy. The difference between this value and that contained in the normal costing table is the surcharge. It is typically determined based on the cost/pound basis for each metal casting.

Why do different grades of alloys have different surcharges?

- Alloys are made to a variety of different specifications. Therefore, different raw materials must be used to meet these varying requirements in each particular material alloy. The type, grade, and amounts of these raw materials have an effect on the final surcharge for a cast component of a particular material specification. For example, the cost of nickel has the greatest effect on nickel-based alloys (example; Alloy 20, Hastelloys), where chrome will affect chrome-based alloys (example; stainless steels, Hastelloys, high chrome irons such as Maxalloy 5 & 8).

Does the surcharge include any profit?

- No, it includes only otherwise unaccounted for cost of raw materials.

How often are the surcharges changed?

- The purchased raw materials can fluctuate with commodity markets up or down. We are subject to these fluctuations and work to minimize our costs with optimized purchases when possible. The surcharges are updated to reflect purchase costs that are outside of our accounting norms as required. Surcharges can increase or decrease reflecting these changing purchased costs.

When will the surcharges be eliminated?

- Because future raw material costs cannot be predicted, no time for the elimination of surcharges can be given. Surcharges however, are considered to be temporary and will be removed at the earliest possible date.