

Ian Bonnano

From: Jack Cheng <jack.cheng@aametals.com>
Sent: Friday, June 23, 2017 3:32 PM
To: Aluminum232
Subject: comments on aluminum section 232

Brad Botwin
Director of Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce

Dear Mr. Botwin,

We are an importer and master distributor of aluminum sheets and coils. We import from all over the world (including China) and sell most to North America market. I studied and worked in aluminum industry for all my life (BS degree in metallurgical engineering of the process from Bauxite to Aluminum Ingot, and Ph.D. in University of Kentucky from Aluminum Ingot to semi-finished coils and sheets.). With 6 years at the Center for Aluminum Technology at University of Kentucky, I worked with Aluminum Association and many aluminum companies---Aleris, Constellium, Novelis, Wise Alloys, JW Aluminum, Kaiser Aluminum, Century Aluminum, etc on product development and process improvement. So I am qualified to make the following comments:

1. There is no illegal government subsidize or dumping of aluminum from China.
 - a. The Chinese Aluminum companies do negotiate with local power company for better prices. This is same as Alcoa and Century Aluminum negotiate with local power company for better cost in electricity. There is no government subsidize.
 - b. Many US aluminum companies are very old with outdated equipment that is less efficient and less cost effective, while most Chinese companies are fairly new with modern start-of-art equipment that is more efficient and cost effective. Give you an example, there is Wall Street Journal report on Alpha Aluminum—Salem, NC a few months ago after Alpha Aluminum closed the operation last year. The report blamed import Chinese foils for the closure. Actually, their equipment is from 1950's. We want to buy them and reopen the operation. It will cost \$3-5 million to upgrade and it will run 2000feet/minute. For a new equipment, it will be 4000feet/minute. That means double electricity and labor cost. And the old equipment caused about 50% rejection rate for the products. There is no way for the mill to compete in the market place. So it should be closed.
 - c. Most Chinese aluminum companies are family owned. The owners are willing to invest for long term and also involved the operation extensively. So they work hard to get rid of deficiencies and reduce cost. Many US aluminum companies are public traded or owned by private equity. The management/owners focus more short term performance pressure or build the company for sale. Many of the top management do not even visit plant and they are a lot of bureaucracy and deficiency, which drive up the cost substantially.
2. Tariff or Anti-Dumping against will not save jobs or aluminum companies:
 - a. About 10 years ago, US started anti-dumping to Chinese aluminum extrusions. Florida Extruder International in Sanford, Florida supposed to benefit from this. However, the company filed bankruptcy a few years after the anti-dumping. A private equity firm bought the company formed Benada Aluminum in 2013. Benada filed bankruptcy again in 2014 and was never profitable in last many years. The reason is simple—the equipment is too old and very inefficient. Too much overhead and defects. These are the real reason for US companies not competitive. US companies can be more competitive if

they are willing to invest and upgrade, like aerospace and automotive industry, US aluminum companies are very profitable and competitive.

- b. Anti-dumping against China will simply move the manufacturing capacity from China to other countries. It will never really protect US aluminum companies as hoped.
 - c. AA Metals hired about 50 people and proved more than \$3,000,000 payroll per year. And we spent more than \$12,000,000 per year on domestic trucking and warehousing, and more than \$15,000,000 for ocean freight that will provide a lot of job as well. No even mention how much saving we provided for our customers, which in turn generate more jobs and consumption. Trade protection will save fewer jobs for a few companies at the expense of big loss of jobs and majority consumers/companies.
3. Regarding section 232 national security threat, it has nothing to do with import Chinese aluminum. There is no primary or high purity aluminum import from China. Most Chinese aluminum import are just the low cost/quality building products, which most US aluminum companies do not want to produce. Chinese low cost import aluminum coils/sheets are in fact contributing to improving US economy.

Thank you for your attention to my comments.

Should you have any question, please do not hesitate to contact me.

Sincerely,

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