

June 20, 2017

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

Via e-mail: aluminum232@bis.doc.gov

RE: Request for Comments on Section 232 National Security Investigation on Aluminum Imports

Dear Mr. Botwin:

On behalf of the North American Die Casting Association (“NADCA” or “Association”), please accept these comments on the Department of Commerce request for input on the Section 232 National Security Investigation of Imports of Aluminum. We ask that the Department consider the impact any actions taken will have on U.S. aluminum users and strongly caution that any effort to restrict imports of aluminum, without including downstream products, will lead to an increase of foreign aluminum-containing castings entering the U.S. tariff free.

NADCA is the sole trade and technical association of the die casting industry, representing members from over 350 companies located in every geographic region of the United States. Aluminum die casters manufacture a wide range of products, from tank treads, to automobile engine and transmission parts, to intricate components for computers and medical devices. In the U.S., die casters contribute approximately \$8 billion to the economy annually, and provide over 50,000 jobs directly and indirectly.

The typical NADCA member averages \$42 million in annual sales with roughly 265 employees. U.S. die casting companies are major industrial users of aluminum, purchasing from U.S. sources on average 24 million pounds each at an annual cost of \$18 million (\$.75/lb) per company. Studies indicate the amount (weight) of aluminum die castings will increase on the average passenger vehicle by 15% by 2025. During this time period, the worldwide growth in passenger vehicles will also be about 15%. This provides opportunities for U.S. die casters that relates to increased need for aluminum. However, without an adequate supply, prices domestically will rise, leading to more imported aluminum castings.

NADCA and its members have a long history of supporting the U.S. military, not only by supplying parts, dies and tooling, but also through conducting critical R&D with funding from the Department of Defense. This collaboration over the years allowed U.S. commercial casting operations to expand and hire more American workers, while also developing the latest lightweight, high strength technologies for the military.

Current and Future Aluminum Demand

NADCA believes, and its members report, that the secondary aluminum market in the United States is robust and geographically diverse. Members state they do not face current challenges obtaining the typical aluminum alloys used in die casting. Specialty alloys, from time to time, have longer delays due to the production schedule and stocking methods of the supplier base.

Less than 1% of aluminum purchased by NADCA members is foreign sourced due to several factors, including freight costs and a higher quality of U.S. secondary ingot resulting from processing methods and input streams. NADCA members believe that there are eleven major secondary ingot producers in the U.S. and the typical die caster will receive bids from three sources before buying. The cost to ship secondary ingot must be minimal to compete. At this time, NADCA does not anticipate demand for foreign aluminum to increase, as the industry maintains 99% sourcing from U.S. suppliers.

While NADCA members purchase virtually all their materials from domestic sources, the marketplace still relies on free market and globally competitive pricing. A Q1 2017 survey of NADCA membership, 90% of which cast aluminum, showed that the respondents' pounds shipped increased by an average of 3.4% compared to Q4 2016. Overall, the die casting industry expects 3.5% in increased shipments this year, which leads to increased demand and purchases from domestic U.S. suppliers. In addition, from a 2016 survey, 22% of respondents indicated they will spend 10% more on capital expenditures over the previous year, meaning they expect some level of longer term sustainable growth in demand for aluminum castings.

Another indicator of the healthy demand for domestic aluminum is the broader use of the materials to reduce the weight and increase the efficiency, particularly of motorized vehicles and some military and civilian aircraft. As 70% of NADCA members supply the automotive industry, we view this as a positive for aluminum die casters and domestic aluminum producers because NADCA members source 99% from U.S. suppliers.

Higher Prices, Decreased Supply Lead to Increase of Casting Imports

However, should the domestic aluminum supply decrease, or prices increase, customers could potentially source from a foreign caster in order to avoid disruptions in their supply chain, or added costs on a U.S. casting, due to a tariff or import quota. While often not included in the scope of an investigation, castings often bear the same characteristics to the subject material.

While most NADCA members use secondary aluminum, imposing tariffs or quotas on primary aluminum will increase the cost and thus eventually lead to higher prices of secondary aluminum. This again will lead defense contractors, automotive manufacturers, and other industries to seek a cheaper finished product containing tariff-free aluminum. We believe the Department should not recommend an action that not only shifts injury from aluminum producers to aluminum users, but jeopardizes the defense supply chain by forcing customers to seek a cheaper more finished product.

While the demand for aluminum-containing products continue to grow, imports of aluminum castings taking away American jobs also continue to increase. Between 2010 and 2015, imports of Chinese castings more than doubled, reaching nearly \$96 million up from \$43 million just five years prior. To place this in further context, Chinese aluminum castings imports in 2001 only reached \$6.179 million. Globally, imports of aluminum castings increased from \$82 million in 2001 to \$195 million in 2016. While a significant offender, China is not solely responsible for the surge in aluminum casting imports. India imported less than \$1.25 million in 2001, but now ranks fifth behind China, Canada, Mexico, and Taiwan.

NADCA members know all too well how restricting the supply of raw materials leads to a surge of imports that hurts thousands of U.S. workers. A number of NADCA members also cast magnesium, albeit much fewer than in the past. Following the imposition and continuation of duties, as reported in a previous ITC investigation, the “high alloy magnesium prices in the United States, relative to the rest of the world, have caused domestic demand for alloy magnesium to fall, as die casting has moved offshore and some end users of die castings (such as the automotive industry) have been reluctant to design magnesium parts into their products.”

Magnesium castings from Mexico and around the world continue to flow into the U.S. duty free, while the domestic magnesium casting industry is now just a fragment of its old self as duties remain in place following several sunset reviews. Our magnesium die casting members today are forced to pay higher prices for the sole domestic supplier, or pay the duties on the imported raw material. In both circumstances, our products cost more than our foreign competitors, who face neither a sole supplier or continuous duties. This has led to nearly two decades of increased magnesium casting imports and decreased employment of magnesium casters. We cannot allow this same type of situation to take hold of the cast aluminum segment of our industry, particularly at a time when the defense and automotive sectors continue to demand lighter-weight and higher strength aluminum products.

We are already seeing the impact of subsidized aluminum and cheaper labor on imported castings from China, India, and elsewhere. In a survey conducted in preparation for these comments, one Midwestern die caster responded to a 30% drop in volume because of lower Chinese prices. Increasing prices for companies like that will result in more imports coming in. That leads to a loss of business not only for the U.S. die caster, but also for the domestic aluminum producer.

Conclusion

NADCA strongly urges the Department to examine the broader aluminum supply chain and the role manufacturers, like our members, play in the defense industrial base and on national security. Restricting the import or availability of aluminum will lead to the import of additional aluminum castings and jeopardize our national and economic security. The health of the domestic aluminum industry relies on the health of its customers, including U.S. die casters.

Thank you for your consideration of these comments and the input provided by die casters and other industrial users, as you examine the state of the aluminum industry.

Sincerely



Stephen P. Udvardy

President

North American Die Casting Association