

Precision Metalforming Association  
216-901-8800



National Tooling & Machining Association  
800-248-6862

[www.metalworkingadvocate.org](http://www.metalworkingadvocate.org)

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](mailto:aluminum232@bis.doc.gov)*

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

Dear Mr. Botwin:

Thank you for the opportunity to submit these comments on behalf of the National Tooling and Machining Association and Precision Metalforming Association concerning the Section 232 National Security Investigation of Imports of Aluminum. The strength and health of the domestic U.S. aluminum industry is critical to the success of our nearly 3,000 member companies, who are increasingly using aluminum for their manufacturing needs. On their behalf, we ask that you not take unilateral action restricting the supply or increasing the price of aluminum used by our members without including downstream aluminum component manufacturers and incorporating an efficient exclusion process. The administration has the authority to take a deliberative approach in the investigation to further study the impact on our nation's security and economy.

Our members are small and medium-sized manufacturers averaging roughly 50 employees and are typically classified under the North American Industrial Classification System (NAICS) as 332 (Fabricated Metal Product Manufacturing) and 333 (Machinery Manufacturing). These classifications combined include 80,000 manufacturing establishments with 2.6 million employees. The vast majority of our members do not buy aluminum directly from the mills but from service centers.

The National Tooling and Machining Association's 1,400 member companies design and manufacture special tools, dies, jigs, fixtures, gages, special machines and precision-machined parts. Some firms specialize in experimental research and development work as well as rapid prototyping. Many NTMA members are privately owned small businesses, yet the industry generates sales in excess of \$40 billion a year.

The Precision Metalforming Association is the full-service trade association representing the \$137-billion metalforming industry of North America—the industry that creates precision metal products using stamping, fabricating, spinning, slide forming and roll forming technologies, and other value-added processes. Its nearly 900 member companies also include suppliers of equipment, materials and services to the industry.

Ours is a highly automated, high-skill industry, however, our highest operating expense is often purchasing raw materials – aluminum, steel or other flat-rolled metal, which amounts to 50-70% of costs. The tools, dies and stampings manufactured by our members, in many cases, are simply formed or shaped metal, still maintaining the characteristics of the original raw materials. Any action to restrict the aluminum supply sends a ripple effect throughout downstream industries such as ours who heavily rely on stable raw materials pricing and sources.

### **Aluminum Demand is Increasing; Restrictions will Stunt Growth**

Downstream manufacturing suppliers are increasingly using aluminum to meet customer lightweighting and energy efficiency requirements. This increase in demand is creating a short supply across a number of types of aluminum. Government and industry data clearly indicates the automotive and aerospace industries are increasing their demand of aluminum and aluminum components. A family-owned small business in New Jersey expects 40% growth in their aluminum business over the next few years largely due to exports from Mexico.

An upper Midwest manufacturer of heavy gauge metal spinning purchases a significant amount of aluminum from offshore sources because, “common grades of aluminum are nearly impossible to find domestically.” Especially for small downstream companies on customer raw material buy programs, without a corresponding increase on the London Metals Exchange (LME), these largely family-owned businesses are left paying the bill for tariffs or import restrictions. Even those who do not import aluminum expect material price increases as protections will allow domestic producers to charge more due to a lack of competition.

One of our larger more diversified manufacturers conducted an internal review to estimate how many of its employees directly rely on an adequate supply of specific types of aluminum for their employment. Covering a two-year window from June 12, 2015 to June 12, 2017, the following applies to American employees of this company in the Midwest, Southeast, and Southern U.S.:

**1100:** H13, 0 = 254lbs (9 jobs)  
**2024:** T3, T4, T351 = 3,827lbs (160 jobs)  
**3003:** H14 = 3,716lbs (74 jobs)  
**5052:** H32, H34 = 88,832lbs (460 jobs)  
**6061:** T4, T6, T651, BARE = 18,775lbs (247 jobs)  
**7075:** T6, T651 BARE = 554lbs (18 jobs)

Just a few years ago, this business used very little aluminum relying on traditional steel, but now has grown its company and added hundreds of U.S. jobs across the country due in part to expansion of its aluminum use. There is no question the demand for aluminum globally continues to increase particularly as automotive and aerospace manufacturers and part suppliers seek lightweight alternatives.

### **Non-Automotive, Aerospace Aluminum is in Short/No Supply**

All of our members would prefer to purchase domestically when possible, but U.S. aluminum producers several years ago began to shift their focus to the automotive industry and higher end alloys. Even in cases when a supply exists, our members cannot quote just in time jobs when facing aluminum lead times for domestic product of 2-3 weeks and as high as 6-10 weeks depending on the time of year. This is particularly troublesome for thousands of downstream suppliers who face DFAR compliance requirements, and several weeks delay places our national security and military at risk.

In response to our associations' request for input on the Aluminum 232, our members who replied generally report no domestic supply exists (or significant delays persist) on Aluminum series: 1000, 3000, 5000, and 6000.

One Indiana metalworking company reported it must purchase its aluminum sheet from China because U.S. mills stopped producing alloys series 1100, 3003, and 5052. Another nearly 100-year-old family manufacturing business in Pennsylvania also reported no domestic supply of 1100 or 3003 series aluminum sheet. For many in the metal spinning industry, only two aluminum suppliers that manufacture the specialty metal exist – neither of them are located in the U.S. Another manufacturer is forced to import 70% of its raw materials due to no domestic supply of aluminum circles. We ask the government not punish thousands of U.S. aluminum using companies for the decisions aluminum producers made to virtually abandon non-automotive industries forcing our members to source from foreign suppliers.

Downstream defense, energy, medical, agribusiness, and other suppliers have no choice but to purchase from China, Italy, and elsewhere or they face losing even more business to an overseas competitor. The energy grid is an example of critical national security infrastructure where our members supply aluminum components throughout the country. These products sit at the core of the U.S. electrical grid, but there is no domestic supply currently nor predicted in the future of the aluminum needed to literally keep the lights on.

One business directly stated one of its long-term customers is unwilling to accept a raw material price increase and said it will source from overseas, leading our downstream supplier to reduce its workforce and freeze wages. Corporations from Fortune 50 to 500 last year demanded across the board reductions from their much smaller downstream supplier. One of the largest businesses in the world last year implemented minimum 7% cost reduction and stretched payment terms to 120 days, while another mandated 15% lower pricing for all suppliers, even those on two or three-year pricing contracts. The U.S. government taking an action that artificially increases the price of our members' most important input will lead to more imports of aluminum containing products coming in duty free.

### **Protecting Only Producers Shifts Injury to Aluminum Users**

A company in Minnesota summed up the dire situation it faces as follows, "Tariffs and quotas on only raw materials hurt our manufacturing base when it comes to finished goods. With section 201 tariffs, we lost business to China because they couldn't ship us steel, but they could ship the U.S. finished goods."

The U.S. must avoid another 201 style situation that risked 12 million steel-consuming jobs while imposing protections for less than 200,000. U.S. trade policy for the past two decades has simply shifted the injury from one industry to another without considering the impact on the broader economy and the defense industrial supply chain.

As we stated in our Steel 232 comments, an Ohio manufacturer remarked, “A steel tariff will cause the same problem it did in 2001. Rather than modernize procedures, streamline processes, improve the product, or expand market share, the domestic producers will immediately raise their prices to match foreign steel. This will cause another slowdown in manufacturing just like the tariffs in 2001 did.” We are concerned aluminum producers are seeking the same protections, which will have the same results, little modernization but lots of price increases.

Over the past decade, our members have found their foreign competitors often supplying metal components, assemblies or finished products cheaper than the cost of our raw material alone. This clearly puts small American manufacturers at a disadvantage, and seriously restricts our export opportunities. It is essential our industry has access to globally competitive supplies of aluminum. Our associations have repeatedly called on China and other nations to cease using State Owned Enterprises (SOEs) to illegally subsidize their industries, which provide cheap and subsidized aluminum to our competitors.

We ask that the Department consider the impact their actions will have on millions of downstream aluminum using jobs and not shift perceived injury from one segment of the economy to another.

### **Incomplete Trade Data Provides an Incomplete Picture of the Impact of Tariffs**

As stated in our Steel 232 Investigation comments, collecting accurate trade data for manufacturers of downstream components remains an obstacle to providing a complete picture of the economy to policymakers. A long-standing challenge to downstream metal using industries, and policymakers who aim to assist these smaller companies, is the government does not collect data on imports and exports of most metal containing products outside of automotive. Most downstream middle market manufacturers provide value added services on products that are exported, and often, illegally imported.

However, North American Industrial Classification System (NAICS) Codes do not in many cases have corresponding Harmonized Tariff Schedule (HTS) numbers, which the government uses to track imports and exports. Without an HTS code, industries and government policymakers cannot make informed decisions about the domestic marketplace and activity of downstream suppliers and their foreign competitors; nor can they determine how domestic manufacturing sectors are performing relative to global markets and the effects of particular unfair trade practices on their performance. An overhaul of the trade data collection and reporting system at Commerce, Customs, and at the WTO, is critical to assisting the government in determining the full impact of tariffs and import quotas that will lead to more imports of finished products.

We believe the Department should review the NAICS codes and ensure each six-digit NAICS industry with more than 10,000 employees has a corresponding HTS code, so both policymakers and manufacturers have the data they need to make informed policy and business decisions. If the government has the import data, it could make better decisions involving the entire defense industrial supply chain and even assist in trade enforcement actions on behalf of small and medium sized downstream companies. In the current environment, most metalworking manufacturers lack the ability to even seek a trade remedy without concrete data proving injury, which they can see in their day-to-day operations but cannot prove without HTS codes.

### **Conclusion**

The U.S. cannot protect its citizens at home and interests abroad without a robust domestic aluminum industry and healthy industrial aluminum users who manufacture machine tools and parts for all branches of the military, our electric grid, airplanes, and virtually every other product critical to national security.

As small, often family-owned businesses, our members cannot compete globally against unfair trade practices while also battling against price increases here at home they cannot pass along. At a time when our members are expanding their use of aluminum and creating greater demand, we ask the Department not recommend an action that stunts the growth of this emerging capability.

On behalf of our members and their employees, we ask that you not take action to restrict the supply or increase the price of aluminum used by our members without including downstream aluminum component manufacturers and incorporating an efficient exclusion process.

Thank you for your consideration of these comments and your focus on strengthening manufacturing in America and creating jobs.

Sincerely,



Roy Hardy  
PMA President



Dave Tilstone  
NTMA President