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BY EMAIL

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Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW
Room 1093
Washington, DC 20230

PUBLIC DOCUMENT

RE: Comments of Boltex Manufacturing Company, L.P.
in the Section 232 National Security Investigation of Imports of Steel

Dear Mr. Botwin:

This letter provides comments on behalf of Boltex Manufacturing Company, L.P. (“Boltex”) (NAICS code 332919) in the investigation being conducted by the U.S. Department of Commerce’s Bureau of Industry and Security (the “Department”), initiated under Section 232 of the Trade Expansion Act of 1962, as amended, and Part 705 of the National Security Industrial Base Regulations (15 C.F.R. parts 700 to 709), to determine the effects on the national security of imports of steel. *See Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205 (April 26, 2017). Boltex appreciates the opportunity to submit its comments for the Department’s consideration.

Boltex is one of America’s largest manufacturers of carbon steel flanges (“flanges”). Boltex has two manufacturing facilities in Houston, Texas: a 315,000 square foot forging plant on 16.5 acres, and a 195,000 square foot machining facility on a 35-acre site. Boltex is a fully-

integrated manufacturer: it produces flange forgings from purchased carbon steel billets (bars), and then machines those flange forgings into finished flanges. Boltex's equipment is state-of-the-art, and its integrated process enables it to manage in-house forging, heat treatment, metallurgical testing, and robotic machining processes to ensure the delivery of the highest quality flanges. Boltex sells its finished flanges for a variety of uses, and it also supplies some of its flange forgings to U.S. producers that then manufacture those flange forgings into finished flanges.

Flanges are used to connect pipes and piping systems where easy access for cleaning, inspection, or modification is desired. Carbon steel flanges are used whenever the pipes or piping systems are themselves made of carbon steel, the most common material for critical applications. For example, the flanges made by Boltex and other U.S. producers are used in government office buildings; facilities that manufacture aircraft, weaponry, and telecommunications products; pipelines that carry oil and natural gas; nuclear and electric power plants; naval vessels; and infrastructure of all kinds.

Despite the crucial role that flanges play in the national security, the U.S. flange industry is under severe strain due to the influx of imports. Flanges are imported into the United States from numerous foreign countries, usually under the following categories of the U.S. Harmonized Tariff Schedule, based on the following characteristics:

Carbon Steel Flanges

7307.91.5010 and 7307.91.5030 – Inside diameter of less than 360 mm

7307.91.5050 and 7307.91.5070 – Inside diameter of 360 mm or more

A year ago, Boltex and another major American flange manufacturer, Weldbend Corporation (“Weldbend”), petitioned for the imposition of antidumping duties on imports of

finished carbon steel flanges from India, Italy, and Spain, and for the imposition of countervailing duties on imports of finished carbon steel flanges from India. To date, all of the preliminary determinations by the Department and the International Trade Commission (the “Commission”) have been affirmative, and final affirmative determinations have been made with respect to Spain. Final affirmative determinations with respect to India and Italy are expected soon.

The destruction wreaked by these unfairly trade imports on Boltex has been horrific. In an attempt to combat the low-priced imports, Boltex reduced its prices by 25 percent in the first part of 2016, only to be told by customers that it was still not price-competitive. In November 2016, Boltex reduced its prices by another 25 percent, but its profitability dropped substantially and its sales remained below the levels of two years earlier. A \$30 million investment in new equipment that Boltex made two years ago was for naught: \$18 million of it is still in the packing crates, while the remaining new equipment is idle. By the end of 2016, Boltex was employing 25 percent fewer workers than it did in 2013. Left unchecked, imports are poised to seize additional market share, push prices further down, and force Boltex to lay off even more workers.

Boltex’s experience is not atypical. The Commission’s findings portray a domestic flange industry in dire straits. In recent years, the U.S. flange industry has seen its domestic shipments, domestic capacity utilization, domestic production, domestic investment, domestic

employment, and domestic profitability all decline.¹ In particular, capacity utilization decreased from 71 percent in 2013 to 44 percent in 2015, and further to 33 percent in January-March 2016, the most recent period for which Commission data are available.² This low level of capacity utilization suggests that Boltex and other U.S. producers would be able to increase production of flanges if given the opportunity to do so. If the President imposed tariffs on imports of flanges, the supply of flanges in the U.S. market would not suffer: rather, American flange producers would be able to use their full productive capacity and hire more American workers to run the idle or underused equipment.

The cyclical downturn in the U.S. oil and gas industry has depressed demand for flanges, but even in that shrunken domestic market, imports seized a larger market share. Consequently, even when the oil and gas industry rebounds, U.S. flange producers are likely to face continued difficulty if they are not able to dislodge imports from the market share gains that they have achieved in recent years.

Furthermore, the import problems confronting the domestic flange industry are not due solely to imports from countries that are dumping or subsidizing their products. Even as imports from those subject countries decline due to the prospect of the additional duties that are being imposed, the volume of imports from non-subject countries increases. Country-specific trade remedies are thus inadequate to deal with the imports that are eroding the capacity of the domestic industry to supply flanges for critical needs.

¹ *Finished Carbon Steel Flanges From India, Italy, and Spain*, Inv. Nos. 701-TA-563 and 731-TA-1331-1333 (Preliminary), USITC Pub. 4631 (Aug. 2016) (“ITC Preliminary Flanges Report”).

² ITC Preliminary Flanges Report at Table III-4.

Boltex has also tried to respond to the influx of imports in other ways. A few weeks ago, Boltex and Weldbend filed suit against several foreign flange producers and importers to halt misrepresentations in marketing and marking of imported flanges. Litigation, however, is expensive and prolonged, and it cannot deal comprehensively with all imports from all sources.

This Section 232 investigation offers the possibility of applying trade instruments in a more prompt and comprehensive way than the U.S. producers can achieve on their own. The President has the authority to address imports that impair the national security without being constrained by the country-specific limitations of more traditional trade remedies or the producer-specific limitations of traditional litigation. Given the grave impact of imports on the U.S. flange industry and its ability to meet America's national security requirements, action by the President is desperately needed. Boltex urges the President to take immediate action to restrain imports and restore an American industry that is vital to the national security.

If there are any questions concerning this submission, please do not hesitate to contact the undersigned.

Respectfully submitted,



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