



Central Moloney, Inc.

An ISO 9001 Certified Company

Patrick Colclasure

Senior Vice President

May 26, 2017

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

Re: Section 232

Dear Mr. Botwin:

Central Moloney, Inc. is a manufacturer of distribution transformers located in Pine Bluff, Arkansas. We mainly supply our products to utilities, municipalities and cooperatives in the United States. We are writing you to express our concerns in stopping the importation of Grain Oriented Electrical Steel (GOES).

We currently import a large portion of our GOES and cores from Canada and this actually falls under NAFTA. We see potential supply issues for GOES if imports are not allowed because there is actually only 1 manufacturer of GOES in the United States. We feel that this 1 manufacturer will definitely struggle to meet the demands of all of the transformer manufacturers for distribution and power transformers during normal market conditions. One hurricane can change the entire game for us in an instant. God forbid we have a major hurricane but they do impact the coastal regions from time to time. If and when that major storm hits we manufacturers depend on a steady supply of GOES to make the transformers that are critical to turning the lights back on for the citizens of the United States. In 2005 there were 2 domestic suppliers and the demand grew to a point that both of these manufacturers issued 85% price increases to all distribution transformer manufacturers and put all of us on supply allocation. This dramatically hurt our ability to service our customers and grow our company.

If imports of GOES are restricted, this could also potentially create a monopoly for GOES in the US. As I said before, there is only 1 domestic manufacturer of GOES in the United States. In an effort to keep us from having a monopoly in the US for GOES the imports can keep this as a fair market for everyone in this industry. Some of the imported GOES (ie. Permanent Domain Refined (PDR) material) is actually superior in quality to the domestic GOES, and we are able to design and build



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more efficient transformers when it is required by a utility. This PDR material is not available from the domestic manufacturer.

If imports of GOES are impacted this could very well give the foreign transformer manufacturers an advantage over the US manufacturers. The foreign manufacturers will be able to purchase GOES on the global market at a potential and likely lower cost. GOES make up the majority of the cost of the material in a transformer and our market is already very competitive. We already see foreign manufacturers from Mexico in our market and they already have lower labor rates than the US manufacturers. If we give them a cost advantage on GOES it will be very difficult for the US manufacturers to compete.

There is a need for careful and thoughtful consideration of the impact of any remedies. This is a complex situation, with significant economic and disruptive impacts on the US Transformer manufacturing sector and US utilities. The perspective of end users and OEMs must be considered, not just impact on steel production to create an appropriate response. Rapid implementation of any change would be extremely disruptive given the high level of interdependence with the NAFTA supply chain.

If GOES imports are restricted or eliminated we feel that it will put our national security at a greater risk because of the limited supply from 1 domestic manufacturer.

Thank you in advance for your consideration, your patriotism and your commitment to American owned businesses just like ours!

Sincerely,

Patrick Colclasure
Senior Vice President

