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May 31, 2017

Via email

Steel232@bis.doc.gov

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

RE: Comments of Delta Star, Inc.

Dear Mr. Botwin:

Please accept this letter as the written comments of Delta Star, Inc. ("Delta Star") in response to the Department of Commerce's April 21, 2017 Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel. Delta Star is also a signatory to a letter submitting comments in this proceeding by a group of Transformer Manufacturers. Delta Star incorporates those comments into this letter herein.

Delta Star is a leading manufacturer of power transformers and the premier manufacturer of mobile transformers and substations in North America. Delta Star has been providing the industry with quality equipment for more than 100 years. Our customers include investor-owned utilities, municipal utilities and generation and transmission cooperatives throughout the United States.

The Company is an employee-owned entity headquartered in Lynchburg, VA, where it employs 412 highly-skilled technicians producing small and medium power transformers. Delta Star also has a facility in San Carlos, CA employing an additional 219 people. In 2015, Delta Star acquired a facility in Saint-Jean-sur-Richelieu, Quebec Canada, where it employs an additional 101 people.

As a manufacturer of power transformers and mobile substations built using electrical grade steel, Delta Star relies upon an open and fair market to source material. The Company purchases

its electric grade steel from a combination of domestic and international sources, giving it unique insight into the operations of the market.

Because of the special needs associated with building electric transformers, Delta Star and the other transformer manufacturers require a very specific type of steel, electric grade Grain Oriented Electric Steel (GOES), to produce the final transformer. The product they purchase can be in the form of rolled and measured GOES, also known as “cut core” or “finished” steel, or in the form of pre-assembled transformer units using GOES cut to specific dimension and assembled into the transformer units. The grade, dimensions and other attributes of the GOES needed to make a specific transformer will vary based on the needs of the customer and the technical requirements of the design. Often, Delta Star will need to purchase GOES cut to a particular dimension or of a specific grade to satisfy the design of a particular transformer unit.

The proposal presumes the importation of GOES or cut core is a threat to national security

As Mr. Newport of AK Steel noted at the public hearing on May 24, 2017, his company is proposing to impose remedies on the import of electrical grade steel, including cut core and GOES due to purported national security risks. This proposal presumes that the importation of GOES or cut steel for use in power transformers is a threat to national security. Delta Star suggests that protecting the interests of the domestic transformer manufacturers and their employees is more vital to national security than the risk associated with importing GOES or cut core, which only accounts for a portion of the total market. One thing is certain of the proposal if adopted as recommended, it will severely damage the domestic transformer marketplace, the underlying companies and their United States employees.

Imposition of import remedies further entrenches the market share of the only domestic source of GOES

AK Steel also noted in its testimony that currently it is the only domestic producer from which Delta Star or any other transformer manufacturer can purchase domestic GOES. As such, Delta Star and many of the other transformer manufactures rely upon international sources of GOES, in particular GOES assembled in Canada and Mexico, to diversify their supply chain. While Mr. Newport noted in its oral testimony that AK Steel has the capacity at present to fully serve the needs of the market for GOES cut core in the United States, he presented no evidence in support of that claim. Delta Star submits that, in fact, AK Steel is not able to manufacture at present all of the specified design, grades and dimensions the industry demands.

Even if AK Steel was able to meet all specified needs, however, imposition of remedies on the import of electrical grade steel, cut core or GOES will result in further market concentration. With no domestic competition and any international competition muted due to its proposed import remedies, AK Steel will further entrench its dominant position in the domestic GOES market without facing any pricing pressure from any other sources of GOES. It will, in effect, be a *de facto* monopoly for GOES.

Delta Star has serious concerns about the propriety of imposing any remedies upon the import of electrical grade GOES and cut core steel – most particularly in light of the lack of a vibrant and diverse domestic market for the finished product. If there are issues associated with bad market

players in the international GOES or cut steel markets, the better remedy is to enforce the current legal and political structures or negotiate new, more stringent compliance terms. Imposition of tariff or market limits will negatively impact the transformer manufacturers' ability to cost-effectively meet their customers' needs and, by necessity, result in higher production costs and upward pricing pressure for retail electric rates.

If remedies are to be imposed, then the Department should exclude cut core or finished electrical steel

To the extent the Department determines it will recommend adoption of remedies on the import of steel due to purported national security concerns, then Delta Star encourages the Department to exempt GOES or any electrical grade steel imports from the scope of any potential remedies it may recommend adopting in this proceeding.

Further, as the witness from the United Steelworkers Union noted in his oral comments, the North American market for steel has traditionally been viewed as a unified one. The United States has entered into the North American Free Trade Agreement ("NAFTA") with Canada and Mexico that governs the import and export of materials between its member countries. At a minimum, to the extent the Department determines it will recommend remedies on steel imports into the United States, Delta Star encourages the Department to exempt GOES, cut core or finished electrical grade steel manufactured in Mexico or Canada for import under NAFTA to the United States. Doing so will allow for some diversity in sourcing for the material and create some robustness in the marketplace.

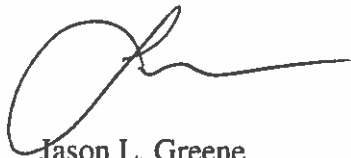
Should the Department determine to impose remedies on importation of cut core or finished steel, it should include such steel incorporated into transformers imported into the United States

As stated above, Delta Star encourages the Department to exclude GOES cut core or finished electrical grade steel from any potential remedies it will recommend. To the extent it does so, however, it is important to ensure the domestic transformer manufacturers are not put at a competitive disadvantage versus their international competitors. To the extent remedies are imposed on the use of imported electrical steel, including cut core and GOES, such charges must be uniformly imposed on *all* electrical grade imported steel, including the cut core and GOES steel incorporated into fully or partially assembled transformers imported into the United States. Without this equal application, the domestic manufacturers using imported GOES will be assessed additional costs for the electrical grade steel (or rely on an unrestrained domestic producer with no effective price competition), while their international counterparts will assemble their transformers overseas using GOES and import either fully or partially assembled transformers into the United States without being assessed the same import remedies. This result creates a distinct market advantage for the international transformer manufacturers over the domestic ones.

Delta Star appreciates the opportunity to provide its perspective on these issues. We stand ready to help support the Department in fairly, wisely and effectively supporting the transformer manufacturers located in the United States and their employees. The proposal of AK Steel to impose remedies on imported GOES is not sound policy, will result in a government-sanctioned

de facto monopoly of domestic GOES production, and impose profound damage to the transformer manufacturing industry and the thousands of hard-working employees who work tirelessly to produce such an important component of the American infrastructure.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jason L. Greene', with a long horizontal flourish extending to the right.

Jason L. Greene
President & CEO
Delta Star, Inc.