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VIA ELECTRONIC DELIVERY

Brad Botwin, Director Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
Room 1093
14th and Constitution Avenue, NW
Washington, DC 20230

PUBLIC VERSION
Business Proprietary Information
Deleted from Pages 4-6 and Exhibits 1-2
Exempt from Disclosure under FOIA
5 U.S.C. § 552(b)(3) & (4)

Re: Section 232 Investigation of Global Steel Imports: Certain High Quality Carbon Steel

Dear Director Botwin:

JTEKT North America Corporation (“JTEKT America” or “JTEKT”) respectfully submits these comments pursuant to the Department of Commerce’s (“the Department”) investigation under section 232 of the Trade Expansion Act of 1962, as amended, to determine the effects on the U.S. national security of imports of steel. These comments are timely filed, pursuant to the Department’s instructions set forth in its *Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205 (Apr. 26, 2017) (“Notice”).

I. INTRODUCTION

JTEKT America is a global manufacturer of bearing technologies, machine tools, automotive and industrial components. JTEKT America was founded in 2006 and has regional headquarters in Greenville, SC. JTEKT America has 14 manufacturing facilities in the United States that produce millions of products each year. Eleven of those facilities use high quality carbon bar, wire and strip steel as a raw material. Located in six states, JTEKT America employs 5,400 people in the United States.



The products that JTEKT America manufactures that may be affected by this steel investigation are used in automotive steering systems, powertrain components, precision machine tool components, and bearings. To manufacture these products, JTEKT uses internally developed proprietary steel grades and certain ASTM grades modified per JTEKT specifications. JTEKT uses high quality carbon steel rod, bar, wire and strip steel sourced from both domestic and foreign steel mills as its raw materials. JTEKT often sources steel from foreign mills to fill the demand for specifications that domestic mills cannot produce and for products that require a higher level of quality than the U.S. mills can supply.

JTEKT America's suppliers are not readily interchangeable or substitutable. Because JTEKT produces components used in automobiles and other consumer vehicles and machinery, JTEKT abides by very strict safety standards that apply to its raw materials through the finished product. The Automotive Industry Action Group (AIAG) guidelines, which apply to JTEKT's automotive components, require significant validation testing to approve new melt sources. This means JTEKT's raw material suppliers undergo extensive testing and certification for a period of two years before they obtain approval.¹ Any disruptions to JTEKT's certified suppliers – be they domestic or foreign – would result in serious inefficiencies and increased costs. JTEKT's customers rely on impeccable quality products generated from the use of high quality carbon steel bar, wire, rod and strip that are made to precise specifications.

¹ There are typically 12 months of development for new melt sources to be approved by the AIAG. Then an additional 12 months for application approval. If the local suppliers could produce to the same quality level as outlined in our specifications JTEKT would be happy to use the domestic source. Unfortunately, past experience with domestic sources have not been good, primarily due to poor quality of the raw material. Also, if all grades could be resourced to the same quality level it would take 5-10 years at significant cost. Significant monetary / human / equipment resources would be necessary from the steelmakers, JTEKT, and their customers. These resources would be needed for, but not limited to, steelmaking supply base research and equipment upgrades, JTEKT qualification activities (metallurgical evaluations, manufacturing trials, internal design / test validations), and customer approval activities very similar to JTEKT's.



JTEKT America urges the Department not to recommend imposition of blanket import relief in the form of duties or quotas as a result of this investigation. JTEKT imports certain high quality carbon steel for the simple reason that the U.S. domestic industry either cannot or does not produce the specialty steel that we use in our business. The imposition of import relief on seven steel grades, in particular, would have a huge impact on JTEKT's business. As described in the chart on the following page, the principal reason that JTEKT does not purchase these seven steel grades in the U.S. is because domestic producers cannot satisfy the stringent quality standards prescribed in our technical specifications. Thus, JTEKT requests exclusions from any import relief on the following seven steel grades:

Grade	Description	Total Usage (Metric Ton)	Reason for Foreign Supplier
52100	Rod	[]	No current US steel maker can meet JTEKT specification for [] (see Exhibit 1) 52100 - SAE 52100 material falls under ASTM A-295, “High Carbon, High-Chromium Anti-Friction Bearing Steel.” Its combination of chemistry and finished microstructure has been proven (over the last 60 + years) to be the most durable and most-used bearing steel chemistry in the world-wide bearing industry. It sometimes has other names when produced in other countries; <i>e.g.</i> , Japan, SUJ2, Germany, 100Cr6, and China, GCr15.
5120	Bar	[]	Local suppliers produce to ASTM A29 - JTEKT specification for surface condition are [] within ASTM A29. JTEKT has used domestic steel in production and the surface condition produced poor quality parts and challenges processing.
1074	Strip Steel	[]	Domestic steel sources cannot supply consistent enough quality level to our specification when it comes to segregation. This inconsistent material produced by local suppliers can cause safety issues in vehicles.
1085	Wire	[]	Developed between JTEKT and []. JTEKT quality requirements are too high for local producers to meet. Cleanliness is the largest challenge for US melt shops.
S45CS1V	Bar	[]	Proprietary chemistry. Not available locally.
KCR425	Bar	[]	Proprietary chemistry. Not available locally
1012	Strip Steel	[]	This material is a peritectic grade material. Domestic suppliers have issues with castability of this material that makes it difficult for local suppliers to meet segregation and cleanliness requirements outlined in the JTEKT T20 specification.

While JTEKT America would welcome increased sourcing from domestic U.S. suppliers, it cannot afford to pose any risk to its business by utilizing raw materials that could negatively

impact the quality of JTEKT America's products.² As JTEKT America supplies consumer industries, including the automotive sector, use of anything less than top quality raw materials poses threats to safety and such parts might not be approved for use on automotive vehicles.

JTEKT does not believe that the importation of high quality carbon steel threatens the national security of the United States. Any trade barriers, including those on high quality carbon steel rod, bar, wire and strip, are certain to have a detrimental effect on JTEKT America's workers, our industry, our customers and consumers. The following facts support our position.

- **Defense applications:** JTEKT sells stainless steel [] for military (aircraft applications) – drawn cup bearings formed from strip and rollers made from rod / wire. Other U.S. companies may also sell such steel for use in defensive applications. In any event, the very large U.S. steel industry is well-positioned to meet any national security defense requirements that may arise for high quality carbon steel.
- **Nature of Imports:** A significant portion of the volume of imports of high quality carbon steel rod, bar, wire and strip comes from Japan, Germany, South Korea and other countries that are considered strong U.S. allies.
- **Higher costs to consumers:** Punitive tariffs, quotas or other trade actions will increase the domestic price of automotive components and bearings. The increased cost will be passed through the supply chain to the consumer, which will result in inflation of pricing of the finished product.

² By way of example, we provide at **Exhibit 2** an example of where JTEKT had significant issues with one of its U.S. suppliers of strip steel. See also Exhibit 1 for issues related to grade 52100 steel.



BUSINESS CONFIDENTIAL INFORMATION

- **No displacement:** imports are not displacing certain domestic products in any meaningful way. U.S. manufacturers either do not produce or cannot produce the steel grades to the specifications that JTEKT America needs.
- **Quality Problems; Inefficiencies; and Product Substitution:** Trade barriers will force JTEKT America to risk supply disruption to our customers or limit the customers that we can do business with. This would reduce the number of employees that we could retain as business declines.

The certification process required for consumer safety reasons makes quick substitutions impossible due to the stringent quality certifications that must be obtained to ensure safety for the ultimate consumers. Recent examples of new melt source approval are [] for grade 1008 material (18 months) and [] for grade 1045M (24 months).

- **Risk to Jobs and Markets:** A significant increase in the raw material cost will increase costs to our customers and might make them consider sourcing our products from foreign sources.

II. CONCLUSION

We appreciate the Department’s consideration of these comments. Please contact the undersigned should you have any questions regarding this submission.

Respectfully submitted,

/s/ Danielle Sebring
Danielle Sebring
Trade Compliance Manager

Statement of Non-Disclosure of Business Confidential Information

In accordance with the Department's instructions, business confidential information clearly identified by square brackets (“[]”) and is found on **pages 4-6 and in Exhibits 1-2**. A non-confidential submission is also provided. *See Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205, 19,206 (Apr. 26, 2017).

Some of the documents and information attached in this submission includes confidential business information relating to JTEKT North America's operations and purchasing activities. Accordingly, JTEKT North America requests that the Department treat the documents and information attached herein as confidential and not release the information, pursuant to 5 U.S.C. § 552(b)(4) and 28 C.F.R. § 16.7. JTEKT North America requests that the Department not release this information in any request under the Freedom of Information Act (“FOIA”) because its release would cause substantial harm to its competitive position. JTEKT North America conducts business in a highly competitive industry, and the release of this agreement and its terms would cause substantial commercial harm under Exemption 4.

EXHIBIT LIST

1. 52100 [] Exhibit
2. 1074 Strip Steel Quality Problem Exhibit

PUBLIC VERSION

EXHIBIT 1

This information is not publicly available and should be treated as confidential commercial information pursuant to 5 U.S.C. § 552(b)(4) and 28 C.F.R. § 16.7.

PUBLIC VERSION

EXHIBIT 2

This information is not publicly available and should be treated as confidential commercial information pursuant to 5 U.S.C. § 552(b)(4) and 28 C.F.R. § 16.7.