

May 26, 2017

Mr Brad Botwin
Director Industrial Studies
Office of technology evaluation
Bureau of Industry and Security
US Department of Commerce
Room 1093
14th and Constitution Avenue, NW
Washington, DC 20230

Dear Mr Botwin,

During the public hearing on the Steel 232 Investigation, Suzi Agar, President, Air Distribution Institute (ADI) presented the case for very thin gauge coated (galvanized) steel to be excluded from any potential 232 duties because of lack of availability from domestic mills. At the end of her presentation the panel asked her (and I paraphrase) whether the users of this material had purchased foreign steel for price or availability reasons, and she replied 'both'. I felt that the inference in the panel's question was that if the domestic steel industry was not hampered by competition from abroad then they could easily supply the steel necessary for the industrial sector Ms Agar represents.

I believe this inference is wrong. I think the imposition of 232 duties would actually reduce the availability of thin gauge material. My reasoning follows.

During the hearing it was mentioned that most of the domestic steel industry is operating at about 70% capacity today and it was inferred that some additional tariffs would result in an increase in utilization as competition from abroad was reduced. Even at 70% the domestic industry is reluctant to supply thin gauge material. This is because productivity of steel making (measured in tonnes produced) is inversely related to the length of the steel running through the plant. A 10,000 lb coil of thin material is much longer than a 10,000 lb coil of thick material and hence takes longer to process. So it is much more efficient to process the thicker material – more steel (measured by weight) is processed during any measured time period.

If 232 tariffs and duties are imposed then that will have the effect of increasing domestic steel mill utilization (as intended) but as these utilization rates rise, the mill's incentive will be to offer the market even less thin gauge material than before. The easiest way for them to increase their

productivity and profit will be to step up production of thicker gauge material. In economic terms, the opportunity cost of thin gauge will be higher and they will switch production to thicker material.

I do not believe Ms Agar had the opportunity to present this argument, so I wanted to make it here.



Richard Edmonds

M7 Metals GmbH

P.S. This letter is endorsed by the Members of ADI and co-signed by their President, Suzi Agar as below.



Suzi Agar, President