



May 26, 2017

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

Re: Section 232 National Security Investigation of Imports of Steel

Dear Mr. Botwin,

I am opposed to including grain oriented electrical steels (GOES) in any action taken by the President to impose any new duties or tariffs on this vital specialty steel product.

I am Vice President Engineering for a 90 year old family owned American transformer manufacturer. I have been doing electrical engineering work for steel manufacturers, utilities and transformer manufactures for over 45 years myself. I have chaired many standards in IEEE for the power transformer industry and I am an IEEE Fellow. I am also the past chair of the NEMA Transformer Section. I am originally from southwestern Pennsylvania where my first engineering job was with the US Steel Corporation. Those facilities are no longer in business. So I am keenly aware of effects of steel dumping on the US market by low cost foreign suppliers. I saw my hometown devastated by the loss of jobs. Nevertheless, I firmly oppose any action to impose new duties or tariffs globally on all GOES imports.

It is critical to my company's success that we have access to competitive GOES. We in turn export a heavy amount of our products to other countries. We export over 40% of our product to at least 82 countries with over 25% of our US manufactured product exported to Canada, much due to our geographic location on the Canadian border. For us, the NAFTA agreement with Canada works. We presently face stiff competition both nationally and internationally. Our exports are greatly declining due to the strength of the US dollar. Additional tariffs on core steels will only make this condition worse since our prices will be even higher, both nationally and for export.

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I can appreciate the administration's interest in its desire of protecting both US steel manufacturers and our national security for both steel making and transformer manufacturing. But, we have had tariffs in the past on GOES and it has little effect on the production of GOES in the United States. Every time this occurs, the price of foreign made electrical steel increases and AK Steel increases the price of their steel accordingly. There has been no increase in production of steel or increase in the number of steel workers in the United States from these actions. I have no reason to believe that any new tariff action will have any effect other than to increase the price of GOES and therefore, the price of domestically manufactured transformers, with no net gain in GOES domestic production. Our company had annual contracts with AK Steel for years. When shortages occurred, our prices increased and we were put on allocation for electrical steel. We had to source our steel from outside the country to survive because AK Steel refused to supply us with sufficient quantities of steel for our production.

It is more vital to the production of domestically made power transformers that we have a strong transformer manufacturing environment than a core steel manufacturing environment. It is counterproductive to this goal to just increase the cost of GOES to domestic transformer manufacturers. GOES is the major material cost a power transformer. Making domestic transformer manufacturers less competitive due to high GOES prices weakens their manufacturing ability, and destroys their ability to export product.

We also can affect our desires for highly efficient transformers that are DOE regulated for energy efficiency. Every manufacturer must make a decision as to whether to construct his core for these transformers from GOES or from amorphous material. With the latest increase in efficiency requirements, more and more of these transformers are being made with amorphous material and not core steel at all, since amorphous materials are lower loss than GOES. Who makes this amorphous material? China and Japan. So an increase in the price of GOES would have the net impact for these distribution transformers of shifting more designs to amorphous material to the benefit of China and Japan, not the American steel worker.

Now, we do not just go on the market ourselves and buy from the lowest cost supplier of GOES around the world regardless of manufacturer or country. We require a high quality, reliable source of supply. We have a Canadian partner who distributes steel from Ontario to us from its mills in the UK. We do not buy core steel from Russia, China, Korea, etc. Those countries can supply lower cost steels than we purchase, but have also been faced with anti-dumping violations in the past. So we would firmly oppose treating all imported steels in the same manner as we might from these countries. At the same time, while we are importing these core steel products from Canada, we are also exporting highly engineered and manufactured power transformers back to Canada. In addition, our core steel partner offers lower loss grades of steel that AK Steel does not manufacture so that we can produce transformers with higher efficiency.

It is vital to the national security of the United States that we have a strong American transformer manufacturing industry. Our entire infrastructure is based on the electrical power grid. At the heart of this energy infrastructure are the various power generation sources and the power transformers used to deliver this power to the utilities, rural electrical cooperatives and municipal utility industries, and ultimately to our homes and businesses, as well as our national defense facilities. We have all seen the devastation that occurs from major blackouts. The ability to prevent these events or to act quickly to restore power in these events is vital to our national security.

The impact of raising the costs of GOES to domestic transformer manufacturing companies so that one company, AK Steel, can raise its prices is misdirected. We wish to see AK Steel remain a vital steel supplier, but not at the expense of the transformer industry. The impact of raising GOES prices has far reaching, complex effects. Careful consideration of these affects is needed. A knee jerk reaction without

this kind of careful consideration can be devastating to the American transformer industry and the utilities, industries and homes they serve.

I am opposed to any action to raise tariffs on GOES.

Thank you for the opportunity to present my opinion.

Sincerely,

A handwritten signature in black ink that reads "Sheldon P. Kennedy". The signature is written in a cursive style with a large initial 'S' and 'K'.

Sheldon P. Kennedy, PE, IEEE Fellow
Vice President Engineering
Niagara Transformer Corp