



Helping Precision Machine Shops Be More Productive and Profitable

May 31, 2017

Mr. Brad Botwin  
Director, Industrial Studies  
Office of Technology Evaluation  
Bureau of Industry and Security  
U.S. Department of Commerce

*via e-mail: Steel232@bis.doc.gov*

***RE: Request for Public Comments on Section 232 National Security Investigation of Imports of Steel***

Dear Mr. Botwin:

On behalf of the Precision Machined Products Association (PMPA), a national trade association representing over 440 member companies involved in the production of highly engineered, precision machined components used in advanced defense, automotive, aerospace, electrical, construction, and medical technologies, thank you for the opportunity to submit these comments regarding the 232 investigation into the impact of steel imports on national security. The precision machining industry is best described by NAICS code 332721, and accounts for over 99,417 jobs with payrolls of \$5.1 billion and shipments of over \$18.5 billion. The mission of the PMPA is to provide the information, resources and networking opportunities to advance and sustain its members while advocating for manufacturing throughout the United States.

As you consider action resulting from the 232 investigation, we ask that you not apply unilateral tariffs or import quotas on imports of steel. PMPA members rely on a certain level of imports to supply the defense, medical and automotive industries especially. Because few of our members purchase mill direct, we do rely on metals service centers to secure competitively priced steel available on a timely basis. In most cases that steel is domestic, in others, as we will show, it is globally sourced. Even in cases where our members do not import steel, they still need free markets to determine prices without government interference – foreign or domestic. Our members have slim profit margins in the best of years and any increase in the price of our most important raw material can cause serious injury to thousands of small, downstream manufacturers.

Each of our members would prefer to source all their raw materials domestically but too often circumstances dictate precision machining shops import specific steel for at least one of three reasons, quality, delivery time, and short or no supply. One challenge in understanding the steel industry is recognizing the difference between capacity to manufacture certain steel products and actually making the materials domestic industrial consumers need. Our members cannot build a business plan or quote a job based on capacity and the ability to produce – we need concrete delivery times and a stable raw material supply, particularly as it relates to national security.

One of the reasons our members face a shortage of domestic steel is due to EPA regulations that deter manufacturers from producing leaded steel, which accounts for roughly 1/3 of the foreign steel our members consume. Another reason is that two of the three companies permitted by USEPA to produce leaded steel bars have been shuttered.

Leaded steel bars provide critical finish capabilities suitable for high production volume and complex machining requirements better than any other non-leaded materials. Critical finish refers to smooth enough to use for engineering applications without additional grinding or polishing, an important characteristic for smaller shops,

like our members, to remain competitive in specialized machining. More importantly, those producing volumes up to the millions of a single part typically use leaded steel. The lead is needed to assure the production volumes and cycle times are met economically, while the low carbon in the typical grade, 12L14, assures that after machining, manufacturers can successfully crimp the part (cold deform) without cracking.

Specifically, Cold Drawn Bar 12L14 accounts for at least 25-30% of the steel parts produced by PMPA members, especially those running cam-automatic screw machines like National Acmes, Davenport, New Britains- machines with the fastest cycle times for high volume production. 12L14 is the most specified grade for use with crimped hose fittings in fluid power systems like power assist steering, braking, and fluid power hydraulic controls that also have military transportation applications. For example, leaded steel hose fittings appear under the hood on Humvees and other military vehicles, combat engineering equipment, (bulldozers, heavy trucks) not to mention helicopters. Typically, hoses with metal fittings are likely made with leaded steel melted, cast, and hot rolled overseas, and cold drawn in the U.S.

In addition, our members also use 11L17 for aircraft igniters and spark plugs; 41L40 as a high complexity high strength alloy steel significantly machined for transmissions, power takeoff and drive shaft type applications; and 11L44 often used for slightly less critical applications than the 41L40 that still require mechanical strength. Critically, manufacturers may also use the 11L44 and 41L40 to produce actual projectile bodies for some military ordnance such as real ammo (41L40) and training / practice ammo (11L44) for the Gau-8 Avenger used for anti-tank and as part of ship weapons systems.

While further processed in the U.S., without imports such as leaded bar steel, American companies could not continue to support the needs of our Armed Forces. The U.S. simply cannot support the domestic demand for leaded steel and there is little indication they intend to reopen plants, request the EPA permits, and alter their business plans to add capacity. Whether leaded or not, the U.S. Government should not artificially restrict access to and inflate the price of steel manufacturers need to support our military and fuel our economy.

Another challenge our members face is quality and specific characteristics of certain steel needed in highly precision components, many of which wind up in our wounded warriors. The highest precision, highest quality bars for production of medical parts, surgical and dental tools, orthopedic implants, (bone screws, plates, etc.) are made in Europe by Ugima, Schmolz + Bickenbach, and Valbruna. Our member companies have no choice but to source from Germany, Switzerland, Italy, and other nations who for decades have developed an expertise in manufacturing high quality medical quality steel for precision machined products. Even in cases where a U.S. supplier is available, it is rarely of medical grade bar stock to the quality needed and required by our processes and customers as many of these products enter the human body.

Current U.S. trade laws provide the administration with broad flexibility to take some or no action following conclusion of the 232 investigation. We encourage the Commerce Department to not take unilateral action and impose tariffs or import quotas on foreign steel. Such action would dramatically reduce domestic supply, artificially increase the price, and reduce the global competitiveness of thousands of downstream manufacturers. Should the administration decide to act, we ask that you exclude the steel items referenced above and provide for a short supply mechanism that allows some level of recourse to the manufacturers who face certain injury and an uncertain future if the government imposes tariffs or restricts the availability of their most critical input.

On behalf of the precision machining industry and small manufacturers across the country, thank you for your consideration of these views.

Sincerely,



Miles Free

Director, Industry Research and Technology