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: Joint Comments of Delta Star, Inc., Niagara Transformer Corp., and SPX Transformer Solutions, Inc.

Dear Mr. Botwin:

Please accept this letter as the collective written comments of the undersigned transformer manufacturing companies (“Transformer Manufacturers”) in response to the Department of Commerce’s (“Department”) April 21, 2017 Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel and certain comments made at the public hearing dated May 24, 2017.

The signatories to this letter are each a member of an industry that designs, builds and sells power transformers. Collectively, these companies represent thousands of hard-working American employees in numerous states. Some of the companies have purely domestic operations, while others have international operations and sales. One common theme through ALL members of the transformer manufacturing industry that operate plants in the United States is that they each rely on a vibrant, competitive and diverse marketplace for purchasing their electrical grade steel. Because of the special needs associated with building transformers, the United States transformer manufacturers require a very specific type of steel, electric grade Grain Oriented Electric Steel (GOES), to produce the final transformer.

The proposal made in oral comments that the Department initiate remedies on the import of electrical grade steel, including GOES, deeply troubles the Transformer Manufacturers. This proposal presumes that the importation of GOES or cut steel for use in power transformers is a threat the national security. We propose 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, 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.

In particular, AK Steel Corporation’s CEO testified at the May 24, 2017 public hearing that his company is the sole domestic producer of GOES. In light of the scarcity of domestic GOES product, many of the transformer manufactures rely upon international sources for GOES in order to purchase variations of GOES products not available domestically, supplement the domestic source and diversify their supply chain. Notwithstanding, only a portion of the GOES used in the manufacturing of power transformers in the United States is sourced from imported GOES. The overwhelming majority of GOES is sourced domestically – and presently only from AK Steel.

Simply put, at present there is no other domestic alternative to AK Steel as a source of GOES. Granting its requested relief will, in effect, further entrench a domestic de facto monopoly for GOES. While each of the below entities wants to continue to work with AK Steel and maintain positive commercial relationships, the potential economic impact of an unrestricted sole-source domestic provider could be devastating on the domestic transformer manufacturing industry.

To the extent the Department imposes remedies for imported GOES, cut core or finished electrical grade steel, it is important to ensure the decision does not put domestic transformer manufacturers at a competitive disadvantage. Thus, any such remedies 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.

The United States transformer manufacturers stand ready to support the Department in making a wise, considered determination in this proceeding. However, the proposals from AK Steel to impose tariff and other restrictions on imported electrical grade steel are unsound both from a policy and an economic perspective, and if adopted will have a devastating impact on the industry and its employees.

Respectfully submitted,

Jason Greene
President
Delta Star, Inc.

John Darby
President
Niagara Transformer Corp.

Brian Mason
President
SPX Transformer Solutions, Inc.