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May 31, 2017

VIA EMAIL

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

Re: Volkswagen Group of America Chattanooga Operations, LLC
Comment on the Effects of Imported Steel on National Security

Dear Mr. Botwin:

On behalf of Volkswagen Group of America Chattanooga Operations, LLC (“VWGoACO”), this submission responds to the Bureau of Industry and Security’s (“BIS”) notice inviting comments on the effects on the national security of imports of steel in connection with BIS’s investigation initiated under section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. § 1862) (“Section 232”).¹ VWGoACO’s comments, in particular, address the following elements of the Notice’s request for written comments: “the displacement of any domestic steel” and “other relevant factors.”

Specifically, VWGoACO respectfully submits that its extensive manufacturing operations in Chattanooga, Tennessee support the demand for domestic steel and that its importation of certain steel products that are not available from domestic suppliers does not

¹ See 82 Fed. Reg. 19,205 (April 26, 2017)(“Notice”).

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threaten to impair the national security of the United States. Indeed, far from displacing domestically produced steel, VWGoACO's manufacturing operations contribute positively to the economic vitality of Tennessee and the United States and generate significant and increasing demand for domestically produced steel. More broadly, thus, VWGoACO's manufacturing operations contribute materially to the health of the U.S. steel industry, and thus to the U.S. defense industrial base, while in no way undermining the ability of the U.S. steel industry to supply steel products vital to national security and defense.

I. VWGoACO's Manufacturing Operations In Tennessee Contribute Significantly To The Regional Economy

VWGoACO operates a manufacturing facility in Chattanooga, Tennessee where it has produced the Passat sedan for multiple markets worldwide since 2010. VWGoACO's manufacturing operations, which rely primarily on domestic steel sources, provide a profound economic benefit to the Tennessee economy. According to an economic impact report prepared by the Center for Business and Economic Research at the University of Tennessee in 2013, VWGoACO's plant has created 12,400 full-time jobs in Tennessee, helped attract 17 supplier companies to the Chattanooga area, and increased local and state tax revenues by \$53.5 million annually. The increased tax revenue primarily results from VWGoACO's focus on sourcing from local companies in Tennessee. For example, in 2012, the assembly plant purchased \$233.6 million from companies located in Tennessee, representing over 60 percent of its total supplier purchases. In addition, VWGoACO's Chattanooga facility provides high-quality jobs to

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Tennessee residents and currently employs roughly 3,200 employees. Accordingly, since its creation, VWGoACO's assembly plant has had a substantial beneficial impact on the local economy and contributed importantly to the vitality of various domestic supplier industries, including in the steel industry.

Recently, VWGoACO expanded its assembly plant in Chattanooga in order to produce a new midsize SUV for the U.S. market, the Volkswagen Atlas, which will create significant additional demand for domestically produced steel. VWGoACO's plant expansion added over 500,000 square feet to the production facility and will add up to 2,000 new employees over the next several years. As part of its expansion strategy, VWGoACO also established a North American Engineering and Planning Center in Chattanooga, which created over 100 engineering jobs and is the first automotive research and development ("R&D") center located in the southeast region of the United States. According to a separate economic impact report prepared by the Center for Business and Economic Research in 2015, the VWGoACO plant expansion and R&D center is also projected to create 9,799 new full-time jobs in Tennessee, generate \$372.6 million in additional income for Tennesseans annually, and provide an additional \$35.1 million in new tax revenue annually. Domestic steel producers and suppliers are among the many local and regional industries that will benefit from VWGoACO's ongoing expansions of its U.S. manufacturing facilities.

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II. VWGoACO's Manufacturing Operations Promote The Domestic Steel Industry

VWGoACO's assembly plant primarily utilizes domestic steel to manufacture vehicles and its operations significantly contribute to the demand for domestically produced steel and the health of the domestic steel industry. VWGoACO's manufacturing operations also require steel products for certain automotive finishes that are manufactured to specifications that are generally not available from domestic producers, and therefore VWGoACO is also reliant on imports from foreign steel mills. Nonetheless, VWGoACO prioritizes sourcing steel from domestic suppliers and makes a concerted effort to obtain as much steel from as close to the plant as possible. To date in 2017, VWGoACO has sourced 85,000 metric tons of steel from domestic steel mills, which represents 61% of its total steel inputs.

VWGoACO is dedicated to increasing its reliance on U.S. steel sources and is currently in discussions with various U.S. producers to supply more of the steel currently sourced from foreign suppliers. For example, between 2012 and 2014, VWGoACO successfully localized 84% of the steel that it had previously imported from a European mill by sourcing from an Alabama mill instead, accounting for \$15 million worth of steel per year. Accordingly, far from displacing domestically produced steel, VWGoACO's assembly plant and its expansion affirmatively contribute to the demand for domestically produced steel. Although VWGoACO is primarily reliant on domestic steel and is actively increasing its domestic sourcing, its remaining

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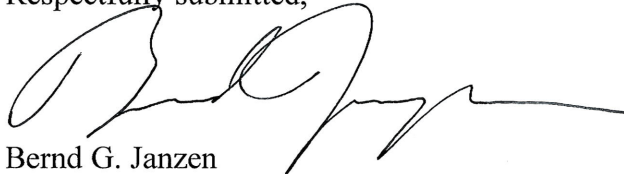
imports of steel products that are not domestically available enable it to expand its U.S. operations and consequently benefit the domestic steel industry.

VWGoACO also respectfully submits that the fundamental focus of the Section 232 investigation is the ability of the United States to supply steel products necessary for national security and defense, and VWGoACO's remaining imports of steel relate to certain automotive finishes that, to the best of VWGoACO's knowledge, are irrelevant to any national security or military purposes. Consequently, VWGoACO's remaining imports of steel to support its U.S. manufacturing operations do not have any adverse impact on the "domestic production and productive capacity needed for steel to meet projected national defense requirements" specified in the Notice.

III. Conclusion

VWGoACO is grateful for your consideration of these comments. Please do not hesitate to contact the undersigned with any questions concerning this submission.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bernd G. Janzen", with a long horizontal flourish extending to the right.

Bernd G. Janzen
Suzanne E. Kane

**Counsel to Volkswagen Group of America
Chattanooga Operations, LLC**