

September 24, 2004

**BY HAND DELIVERY AND BY E-MAIL**

Mr. Kelly Parkhill  
Director for Industry Support and Analysis  
Import Administration  
Room 3713  
U.S. Department of Commerce  
14<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

**Re: Comments on Advanced Notice of Proposed Rulemaking**

Dear Mr. Parkhill:

Precision Metalforming Association (PMA) 1/ hereby submits our comments in response to the Commerce Department ("Department") Notice of August 25, 2004 (69 Fed. Reg. 52211) regarding the possible extension and/or modification of the Steel Import Monitoring and Analysis ("SIMA"). These comments are submitted because of the importance of this issue to PMA member companies that rely on imported flat rolled steel to meet their production requirements. PMA is very concerned that any expansion of the current monitoring program not become a mechanism for restricting imports.

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1/ PMA is the full-service trade association representing the \$41-billion metalforming industry of North America – the industry that creates precision metal products using stamping, fabricating and other value-added processes. Its nearly 1,200 member companies include metal stampers fabricators, spinners, slide formers and roll formers as well as suppliers of equipment, materials and services to the industry.

PMA would support a steel monitoring scheme that provides benefits clearly greater than the costs for all parties concerned. As outlined below, it is essential for PMA members to have a total picture of the available supply of flat rolled steel in the U.S. market. A steel monitoring scheme can provide real benefit to steel consumers if its focus is on the *net supply of steel available in the United States*, including domestic shipments and exports as well as imports. Furthermore, any import licensing scheme must not burden imports by either increasing costs or reducing supply.

I. Any Monitoring Scheme Should Focus on the Net Supply of Steel Available in the United States

Currently the SIMA focuses only on imports of steel products that were subject to Section 201 remedies. However, a focus limited to steel imports is insufficient. The point of the SIMA is apparently to identify potentially harmful surges in imports through an “early warning” system. While this is a benefit to steel producers and importers (and to steel consumers) in theory, it does not address the prospect of changes in supply of steel in the U.S. market. In an industry such as steel that is so reliant on imports to meet domestic demand, one cannot assess the impact or significance of an import surge without considering the marketplace in its entirety. That is, it is essential to determine whether a “surge” in imports is (1) warranted due to market conditions, such as a spike in demand due to economic growth; (2) accompanied by an equivalent decline in supply of domestically produced steel due to reduced domestic shipments (either short-term or long-term in nature); or (3) due to a decline in supply domestically caused by an increase in exports from the United States.

Therefore, to have a monitoring system that is truly useful, what is needed is a mechanism that provides information to steel consumers that would help them develop a full picture of steel availability including imports, domestic production levels and exports.. This would entail monitoring of domestic shipments and exports, as well as imports of steel on an equivalent basis. Exports must also be reported in a manner comparable to import monitoring, so consumers of steel are able to identify the “net” available steel in the U.S. market. 2/

For example, PMA members are critically interested in the net supply of flat rolled metal available in the U.S. PMA members need the material specifications essential for the job in the right quantity, of an acceptable quality when we need it, at a globally competitive price. A monitoring scheme that includes domestic shipments as well as exports would provide a benefit to PMA members – a monitoring scheme that is limited to imports would not. As noted, a steel monitoring scheme that focuses only on imports provides a limited and potentially distorted picture of the condition of the market and the impact that such imports have. PMA can support a monitoring scheme only if it provides a complete picture of the market as outlined above.

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2/ Currently, United States HTS import and HTS export numbers differ at the 8 and 10 digit levels. This means that currently available import and export statistics cannot be measured on an equivalent basis. Whether there is any change to the SIMA, the reporting of trade statistics should be conformed so that exports and imports may be tracked on a consistent basis.

II. Any Import Monitoring Must Not Burden Imports

The benefits of import monitoring must outweigh any costs. It is critically important that an import licensing scheme not be a burden on importers. A steel import monitoring scheme should not interfere with “just in time” deliveries, increase costs, or chill imports in any way. Steel users must also be assured that import licensing would never be used as a way to restrict imports or increase their cost.

The Commerce Department notice specifically asked parties to comment on whether the product scope of the current system should be increased or decreased. We note that according to the Commerce Department web site, the average number of steel license applications under the current system is 4,735 per week. <sup>3/</sup> We question whether the scope of the existing system could be increased without creating an unworkable system. Since only a minority of steel product imports is subject to SIMA, it is far from clear whether the current system could stand an increase in license applications to 10,000 or more per week. Certainly, if the system were expanded, there would need to be substantial additional appropriation of agency funds which would be used to assure that bottlenecks in processing did not in any way impact steel imports.

The Commerce notice also requested comment on the timing of license applications. A key concern is whether a licensing requirement would prevent importers and domestic steel users from receiving shipments on a timely basis. This concern is real: import licenses could be delayed, preventing timely deliveries or providing a disincentive to sell steel to the United States. Given this concern, it is important that companies be

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<sup>3/</sup> <http://ia.ita.doc.gov/steel/license/faq.html>

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allowed to apply for licenses significantly in advance of the expected date of importation to ensure that there be no delay. The time-limits in the current system, which allows filers to be able to apply for a steel license up to 60 days prior to the expected date of importation until the date of filing of the entry summary documents, appear appropriate.

Finally, we are concerned about confidentiality issues. The incremental benefit of a monitoring program over the rapid reporting of import statistics is small, at least from a public perspective. Steel imports should not be restricted through requirements for confidential information that could be released, whether inadvertently or deliberately and harm the operations of producers, importers or U.S. consumers of steel. It is also critical that the information requirements not be onerous.

We appreciate the opportunity to comment on this proposal. We look forward to working with the Department to further its objectives.

Sincerely,

A handwritten signature in black ink, appearing to read "William E. Gaskin". The signature is fluid and cursive, with the first name being the most prominent.

William E. Gaskin  
President  
*Precision Metalforming Association*