

AMERICAN MSC INC.

SUPPLEMENTAL INFORMATION FOR STEEL EXCLUSION REQUEST

Question Block	Comment
1.d	<p>Primary Type of Steel Activity of Exclusion Requester:</p> <p>The Requesting Organization is a manufacturer of precision springs for automotive transmissions used in a wide range of vehicles, including passenger automobiles and pickup trucks, heavy commercial trucks, buses and specialty vehicles such as fire trucks. Specifically, the steel product for which exclusion is requested is used to produce precision springs that are found in clutches for manual transmissions, torque converters for automatic transmissions and similar applications.</p> <p>Total Requested Annual Exclusion Quantity in Kilograms:</p> <p>Long lead times are the norm in the automotive industry. Our customers issue firm orders for our products to be delivered many weeks later and issue longer term forecasts of estimated requirements to allow advance production planning by suppliers to meet anticipated demand. It is not possible to accurately project how customer demand will be allocated among the five product categories that are the subject of our various exclusion requests and among the numerous size variations within those categories. Current customer forecasts indicate that demand for the steel products subject to this exclusion request will be higher than the average consumption stated in 2.a. The quantity specified in 1.d is our best estimate of potential allocation of customer orders to the product subject to this exclusion request. The Requesting Organization is therefore requesting an Annual Exclusion Quantity that will accommodate this higher anticipated demand. Any inability to meet demand for our product would have a detrimental effect on production and jobs in the U.S. automotive industry.</p> <p>Effect on Requesting Organization if Exclusion Request Not Granted:</p> <p>The Requesting Organization produces about 240 individual spring products at our Michigan facility. Steel products used to produce these spring products are subject to the Section 232 tariffs. Our Michigan operation would not be able to absorb the additional costs imposed by these tariffs. If an exclusion from the Section 232 tariffs is not granted, we would need to consider shifting production to facilities outside the United States which would result in the loss of American jobs at our Michigan facility, where we currently employ about 175 people.</p>
2.b	<p>The Requesting Organization imports five types of Oil Tempered Silicon Chromium Alloy Steel Wire for Valve Spring, commonly referred to as SWOSC, for use in production of our spring products. The five types are designated by the suffixes V, VHV, VSA, VSB and VSR. We have not had success in locating suitable U.S. producers of the product subject to this exclusion request. Our review of potential U.S. suppliers also indicates that none would be</p>

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	<p>able to supply diameters smaller than 1.75 mm or diameters of 7.00 mm and larger, which are required by our customers.</p> <p>We are aware of one U.S. supplier that has the capability to produce types V, VHV and VSB -- Suzuki Garphyttan USA, 4404 Nimitz Parkway, South Bend, Indiana 46628. Although we have purchased minor quantities from this supplier in the past, our recent conversations with the supplier indicate that it is operating at capacity for other customers with extended delivery times, it does not have the ability to supply all of the diameters that we require, and does not have capacity to supply the quantities we require or to meet the delivery times needed to qualify as a reliable source of supply to meet the requirements of our automotive industry customers. We understand that this supplier also faces Section 232 tariffs on imported steel material used in its operation which could further restrict its viability as a potential supplier.</p> <p>More than two years ago, we proceeded through the lengthy and costly validation process described in Question Block 4.h with another potential U.S. supplier of one of the steel products subject to our exclusion requests (type V with a diameter of 1.7 mm). But, after gaining OEM approval, the potential supplier informed us that it was discontinuing production of this product. Because of that experience, we do not consider this producer to be viable as a potential supplier. We also understand that this producer may face Section 232 tariffs on imported steel material used in its operation which could further restrict its viability as a potential supplier.</p>
4.c	<p>Our products are used in many products that are part of the critical infrastructure of the United States, including transportation systems and emergency services. The products that we produce using the steel products subject to our exclusion requests are supplied to either original equipment manufacturers (OEMs) or to Tier 1 automotive customers who in turn supply the product to OEMs for both production of new vehicles and as replacement parts in the aftermarket. Based on information from our customers, we believe that the products that we supply using the steel products subject to our exclusion requests are used in a major portion of the pickup trucks produced by the Detroit Three OEMs. We are also advised that automatic transmissions required in all fire engines incorporate products that we supply using the steel products subject to our exclusion requests and that the vast majority of buses produced in the United States incorporate those products. We further understand that a major portion of the class 7 and 8 freight trucks produced in the United States incorporate these products. Based on this information, we believe that the steel product subject to this exclusion request provides significant support to U.S. national security through its wide use in the critical infrastructure of the United States. If an exclusion from the Section 232 tariffs is not granted, we would need to consider shifting production of our products to facilities outside the United States which would result in the loss of U.S. production capacity required for this critical infrastructure.</p>

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4.d	<p>The manufacturer of the steel product for which exclusion is requested produces the product in two separate facilities operated by two different companies in its corporate group. Our current supplier sources the product from both facilities. However the Requesting Organization is not able to determine how production of the product supplied will be allocated between the two facilities. It is therefore possible that the entire exclusion quantity requested in Question Block 1.d could be sourced from only one of the two facilities. But it is more likely that both sources will be utilized, although in quantities that the Requesting Organization is unable to predict.</p>
4.f	<p>Suzuki Garphyttan AB (Sweden) and of Suzuki Garphyttan SA de CV (Mexico), affiliates of Suzuki Garphyttan USA, may be producing types V and VHV referenced in the comment to Question Block 2.b.</p>
4.h	<p>In the automotive industry, original equipment manufacturers (OEMs) have strict validation requirements for parts suppliers and facilities. For example, see the Automotive Quality Management System Standard, known as IATF 16949. Facilities from which products are sourced require validation. In addition, extensive product testing would be required by OEMs, by customers of the Requesting Organization and by the Requesting Organization itself. Testing of a potential product would be needed to the point of failure through millions of cycles and the results would then be analyzed against the steel product subject to this exclusion request. The Requesting Organization would need approvals from OEMs and other customers before it would be permitted to utilize an alternative source of supply. This process would need to be undertaken for each of the products that the Requesting Organization produces for its customers using the steel product subject to this exclusion request. This validation process would be costly and may well exceed one year. Further, the ultimate result is not predictable and is not within the Requesting Organization's control. Even if an alternative source of supply were to be approved, that source would also need to demonstrate that it has available production capacity to supply the quantities that the Requesting Organization requires.</p>