



April 12, 2018

The Honorable Wilbur Ross
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Ave, NW
Washington, D.C. 20230

***RE: Letter In Support Of Product Exclusion Request For
HTS Code 7222: Stainless Steel***

Dear Secretary Ross:

I am the Vice President, Global Sourcing and Logistics, of Swagelok Company ("Swagelok"), which is headquartered in Solon, Ohio, and I write in support of Swagelok's request to exclude stainless steel products from the tariffs described in the March 8, 2018 Presidential Proclamation on Adjusting Imports of Steel into the United States. As discussed in further detail below, Swagelok is requesting an exclusion because Swagelok's current U.S. suppliers are unable to supply, in a sufficient and reasonably available amount or of a satisfactory quality, the quantity required for Swagelok's manufacturing operations. Swagelok has undertaken multiple attempts to procure the products from other U.S. suppliers, however, those suppliers have been unable to consistently manufacture and supply stainless steel products in an amount that meet the stringent technical specifications required by Swagelok and its customers. This letter is being filed in support of a number of exclusion requests by Swagelok. Specific supplier-related information for each product for which Swagelok is requesting an exclusion is included in this request.

Swagelok manufactures, among other things, fittings, valves, and tube accessory products used in critical, high-pressure environments in the construction, alternative fuel, chemical and petrochemical, oil and gas, power generation, utility, nuclear, and semiconductor industries. Swagelok's products are also used in numerous U.S. defense applications. Sales of Swagelok's products into Defense applications represent approximately 2.1 percent of Swagelok's direct U.S. sales. 20 percent of Swagelok's U.S. sales support the nation's infrastructure, including the chemical/petrochemical/refining, oil and gas, and power (including nuclear power) industries.

To support its U.S. manufacturing operations, Swagelok employs 3,857 of its 4,453 total employees in Ohio and Pennsylvania (this does not include downstream jobs of Swagelok's



distributors throughout the country). In 2017 alone, Swagelok increased its work force by 488 employees in Ohio and Pennsylvania.

Swagelok's competitors are located across the globe. If Swagelok's steel costs increase by 25 percent, it will have an enormous impact on Swagelok's ability to compete. This, in turn, would put significant pressure on Swagelok's manufacturing operations and employment in Ohio and Pennsylvania – to the benefit of non-U.S. manufacturers and to the detriment of U.S. manufacturing, U.S. jobs, the U.S. trade balance, and, ultimately, U.S. national security. Steel cost increases to Swagelok also would negatively impact other U.S. manufacturers and critical industries that purchase and rely on Swagelok's products.

Swagelok uses both U.S. and non-U.S. steel in its manufacturing operations. Swagelok's current U.S. steel suppliers cannot and (over the next few years, if ever) could not supply all of the steel necessary for Swagelok's manufacturing operations. To replace a portion of its non-U.S. steel supply with U.S. suppliers, those suppliers would need to successfully complete Swagelok's certification and qualification process (described in further detail below), which could take years. As such, it is critical to our business that we continue to purchase a portion of these stainless steel products from producers located in the European Union ("EU").

Because Swagelok's products are used in critical, high-pressure environments including those of nuclear reactors, high pressure and corrosive fluids, Swagelok has uniquely stringent requirements for its steel material. Such material can be procured from a small number of highly capable steel mill suppliers only. Many Swagelok steel specifications are unique to Swagelok, which provides Swagelok with a strategic competitive advantage worldwide. These documents are based on ASTM standard specifications, however, include much tighter requirements for chemical composition, microstructural characteristics, mechanical properties, and quality (e.g. acceptable internal and external size of flaws such as inclusions and surface cracks). Swagelok's specifications for visual inspection are not easily met by just any mill supplier. Swagelok rejects material for discoloration, chipping, deep draw/die marks and errant marking. All requirements are integral to Swagelok quality standards, and a mill's inability to meet all requirements would negatively impact Swagelok's ability to supply premium finished fluid system components. Additionally, Swagelok has a proprietary 35 step process that involves interviewing, selecting, and qualifying suppliers to produce raw material. Each qualification takes significant time, with Swagelok helping the supplier meet the requirements through development and trial orders. This process typically takes years, and there are only a few suppliers capable of meeting Swagelok's quality requirements and testing to those requirements. Some of those suppliers are located in EU countries (including Italy, UK, Sweden, Slovenia and Germany), and some of these suppliers start their melting process in Europe, but employ workers in the U.S. in finishing operations to process the material before it is shipped to Swagelok.





In August 2016, Swagelok launched a project to qualify additional steel suppliers. A worldwide search that included 41 suppliers believed to have the capability of meeting Swagelok's stringent material requirements was conducted. Half of those potential suppliers were eliminated immediately for geo-political concerns, and only five U.S. companies were identified as potentially capable of meeting the requirements. After evaluating these remaining possible suppliers using Swagelok's full qualification process, Swagelok determined that only four companies – one in the United States (Universal Stainless) and three in the EU – were capable of meeting Swagelok's requirements. Swagelok ultimately awarded the additional business to Universal Stainless, located in Bridgeville, Pennsylvania. The validation effort for Universal Stainless finally came to a close in March 2018, after Swagelok received its first production orders. This was a two year supplier development effort, and while this supplier is qualified to make a portion of our high purity 316L stainless steel, it is not yet qualified to make all of the material. Swagelok and Universal Stainless continue to collaborate on the development of one of Swagelok's material specifications. Swagelok expects that this effort will extend into 2019. Knowing the resources required to meet Swagelok's quality standards, Universal Stainless indicated that it does not believe it is capable of producing these additional material specifications to Swagelok's standards and that Universal Stainless does not have the resources to continue to develop this material.

Based on this, Swagelok feels we meet the parameters which would allow for a specific product exclusion, and look forward to a positive determination by the Department of Commerce.

Respectfully submitted,

Brent Blouch

Swagelok Company

