

**BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION**

**Certain Non-Oriented Electrical Steel from  
China, Germany, Japan, Korea, Sweden and Taiwan**

**Testimony of Brion Talley  
Senior Vice President  
JFE Shoji America**

**October 8, 2014**

---

Good afternoon. For the record my name is Brion Talley. I am the Senior Vice President of JFE Shoji America. JFE Shoji is a trading company handling a variety of steel, including non-oriented electrical steel, or NOES. As the name implies, we are affiliated with JFE of Japan, a Japanese producer of NOES. I want to reinforce the points previously made by David Stevens of AMC. We do not service AMC's account, but AMC's circumstances are familiar to us. Indeed, the facts surrounding AMC's sourcing of material are virtually identical to one of our customers also positioned in the automotive sector.

That customer, the U.S. manufacturing affiliate of a Japanese company, is guided in its sourcing decisions by many of the same non-price factors described by Mr. Stevens. I am talking about a design that was 100 percent Japanese origin, with initial prototype and production occurring in Japan, with the die and stamping based on the initial prototype and developed with a specific steel producer and steel type in mind. Material sourcing terms were negotiated entirely in Japan without reference to conditions in other markets.

As a practical matter, these facts make it virtually impossible for a change to another steel producer and steel type while still utilizing the same dies and stamping. This is because the design equation is far more complex than simple core loss. Various physical properties are taken into account, ranging from yield strength, tensile strength, elongation, and flux density. Design will not change during the product life. And because design has set all of these physical parameters, material sourcing is also unlikely to change. Otherwise you risk excessive die wear, the need to recalibrate equipment, and higher rejection rates. For these reasons, AK Steel does not have a credible claim that it is competing for the business in which we are involved. These are significant volumes that will not go to AK Steel even if duties continue.

One final point. Our customer is in the automotive sector and services a major auto manufacturer on a long term contract basis. The application is a very critical one serving the operation of the engine – an ignition core. This is not a component you want to have fail. Auto makers are highly sensitive to the risks involved, which means they are highly sensitive to material sourcing decisions far beyond questions of price.

That concludes my remarks. I would be happy to answer any questions the Commission may have.