

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

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

**Testimony of David Martin Stevens
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American Mitsuba Corporation**

October 8, 2014

Good afternoon. For the record my name is David Martin Stevens. I am the Senior Vice President of American Mitsuba Corporation, or AMC. We operate five separate facilities in Michigan, Indiana, Ohio and Kentucky. AMC is a U.S. manufacturer and seller of DC (direct current) electrical motors, actuators, and electrical components, primarily for the automotive sector. One such motor is this cooling fan motor. The major components of this motor are the yoke stator assembly, coincidentally made from cold-rolled steel produced by AK Steel, the armature assembly which includes these stacked armature core laminations stamped from Japanese NOES, and the electronic components.

Today I want to offer AMC's perspective on this investigation and the way my company views NOES supply and competition in the market. Specifically, I want to make two fundamental points. First, NOES is not a price-driven commodity. Many other factors dictate material sourcing. Second, AK Steel has

technical limitations that impair its ability to otherwise compete for our business. I will illustrate these two points using AMC's own experience in the market.

This morning AK Steel told you that the market for NOES is price driven to help explain its current situation relative to imports. I can tell you from AMC's experience that is simply not the case, starting with the unique conditions under which AMC sources its own NOES material. AMC is a subsidiary of Mitsubishi Corporation, a Japanese manufacturer of auto parts. As such, AMC primarily manufactures components and finished parts originating from Japanese design, with initial testing and pre-production also taking place in Japan. Given our affiliation, this is a predictable circumstance.

AMC's affiliation leads to a practical reality: its material sourcing choices are almost always influenced by factors in Japan, not the United States. In the context of AMC's NOES consumption, we source from a single supplier in Japan. We do this for a number of important reasons. First, our Japanese parent negotiates the terms of our material requirements. Second, the specific NOES material from the Japanese source was selected to meet a requirement from our customer for a more efficient motor than the previous model. Third, the specific component into which the NOES is incorporated was designed in Japan, and the original dies used to make the component were manufactured in Japan. Finally, die testing was performed in Japan using Japanese material. AK Steel was not a

consideration to the original Mitsuba product or process designers. This is a global Mitsuba motor made and sold in several different countries. Material performance was specified in Japan and transferred to the United States.

As already noted, we do in fact use material from AK Steel, just not NOES. The component made from NOES is too critical to the function of the motor. The last time Mitsuba looked at AK Steel's NOES product was in 2010. We took the initiative. AK Steel did not approach us. Based on a review of AK Steel's own published specifications, it was concluded that its material would cause a decline in motor performance. The review stopped there. Since that time, AK Steel has never knocked on our door to sell us NOES.

Another point I want to make about competition concerns the production part approval process, or PPAP, prevalent in my industry. PPAP is a rigid, well documented and audited risk management qualification process. Under PPAP protocols we do not dictate to the customer the source of our NOES material. Rather, we must submit the specific NOES in the bill of material for the part we are selling to the customer for their approval. Once approved, sourcing cannot be changed without customer approval, which is a long and expensive process. Thus, periodic price changes in the market are almost irrelevant, as evidenced by the fact that we continue to bear the cost of duties in this case in order to use proven material. As an OEM or supplier manufacturer you are going to remain with the

proven material for the lifecycle of the product. Alternative sourcing would only occur in the case of a critical supply disruption. Given this dynamic, AK Steel is simply not competing for the business in which we are engaged.

Let me close my remarks with one final statement. AK Steel is causing my company to incur huge costs under circumstances in which they simply do not compete. If AK Steel's claims are upheld by this Commission, these high costs will continue to hurt the company, our employees, and our ability to compete in the U.S. market. Nonetheless, AMC will continue NOES sourcing from our current supplier. I strongly suspect that there will be very similar responses from other purchasers.

That concludes my remarks, and I welcome any questions the Commission may have.