



HITACHI
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September 26, 2012

The Honorable Dave Camp
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Re: **Responding to Objection Letter H.R. 4627**

Dear Chairman Camp and Ranking Member Levin,

I am writing on behalf of Hitachi Metals America, Ltd. to respond to the objection letter you received on July 20th from the American Foundry Society concerning HR 4627; legislation that Representative Thompson introduced on our behalf.

The objection letter alleges that the product covered under this legislation competes directly with products manufactured in the United States. This is mistaken. HR 4627 applies only to stainless steel exhaust gas manifolds cast as a single piece and capable of withstanding very high exhaust gas temperatures (above 900 degrees Centigrade). Engines that generate such high exhaust gas temperatures - and therefore require single cast stainless steel manifolds - account for approximately two percent of all vehicles made in the United States. The other 98 percent of vehicles made in the US use either HiSiMo or fabricated exhaust gas manifolds. These HiSiMo and fabricated manifolds are made in the United States, but cannot be used with engines that generate exhaust gas temperatures above 900 degrees Centigrade because the high temperatures will cause the welds to buckle and the metal to corrode, ruining the manifold.

In comparison to welded manifolds, single cast stainless steel manifolds are much more expensive to produce. The production method is very difficult to master, is highly capital intensive, and stainless steel costs much more than the metal used for other manifolds.

The manifolds covered under this legislation will range in price from \$80-220 per piece, depending upon the size of the manifold. Prices for domestically produced manifolds are also dependent upon the size of the manifold and are as follows:

- HiSiMo Manifolds between \$15-30 per piece,
- Single Shell Fabricated Manifolds between \$40-45 per piece,
- Double Shell Fabricated Manifolds between \$60-70 per piece.

The significantly higher cost for our specialty product means that auto manufacturers use our single piece stainless steel manifolds only when they have to. Given a choice, they will always use the cheaper alternative products if can they meet their specifications.

In its March 2012 Guidance the Committee wrote that a bill would be considered controversial if either a Member objected or a "domestic producer who demonstrates production or imminent production, of the article or a like or directly competitive article" registers an objection. For the reasons outlined above, the objection registered to this bill fails to meet this test.

I would note that in its report to Congress on subject legislation, the US International Trade Commission reported no opposition from either the relevant industry trade association (MEMA) or individual domestic producers of HiSiMo and fabricated manifolds described above.

In 2010 the Commerce Department investigated the question of whether our product competed with domestic production when legislation covering the identical product was being considered. After talking with us and conducting its own investigation, Commerce concluded that our product was unique and that the duty reduction we were seeking would not harm domestic producers (see Attachment I.)

Finally, I would note that a provision reducing the duty on our product was included as Section 1210 of the Manufacturing Enhancement Act of 2010 (P.L. 111-227). A drafting error made during the final stages of drafting this bill prevented us from entering our product under the special HTS number that was created. The Committee recognized the error almost immediately and inserted technical corrections language in the second MTB bill that passed the House by Unanimous Consent in December 2010 (Section 5001 (c) of HR 6517). Representative Thompson introduced separate legislation (HR 1437) that correct this error retroactive to the original 2010 effective date. This legislation is also covered in the ITC report referenced above.

We very much appreciate your consideration of our views and stand ready to answer any questions you might have.

Sincerely,



Hitachi Metals America Ltd..

CC: Representative Glenn Thompson

Attachment: 2010 Communication between Commerce and Senate Finance Committee

From: Saul Japson
Sent: Thursday, March 18, 2010 10:13 AM
To: 'Perkins, Alex'; 'Murphy, Rory (Finance-Dem)'
Cc: 'VanHanswyk, Beth'
Subject: RE: HR 4989 and S 1896

Alex/Rory,

This e-mail is to inform you of a change in Administration position on HR 4989 and S1896 from "oppose" to "No objection." This change has been

approved by OMB and is based on additional information from recent meetings between our industry analysts and the petitioner's (Hitachi) representatives. The petitioner's chief engineer in Asia was very helpful in providing additional information on the technical qualities of the product. We have also spoken to the objecting company. They agree with our findings and have lifted their objection to the bill.

Please feel free to call me if you have any questions.
