



Section 232 Tariff

BIOGRAPHY



Robert F. McDonnell Board Member

Governor Robert F. ("Bob") McDonnell served as the 71st Governor of Virginia from January 2010 - 2014.

He served as Virginia's Attorney General from 2006 - 2009 and as a Member of the Virginia House of Delegates from 1992 - 2006.

He is a former Virginia Beach Prosecutor and also former manager of a fortune 500 healthcare company.

Governor McDonnell is a 21-year veteran of the U.S. Army and U.S. Army Reserve, retiring in 1997 as a Lt. Colonel.

Governor McDonnell runs a consulting practice, The McDonnell Group, and practices law with the firm of Poole, Brooke, and Plumlee, PC in Virginia Beach. He is a law and government professor at Regent University and Liberty University. He is a regular contributor on Newsmax TV, and a member of the Board of Directors at Delta Star, Inc. He is the President and founder of Virginians for Reconciliation, and involved with numerous political and charitable organizations. He has 5 adult children and 7 grandchildren.

He received his MA in Public Policy and J.D. from Regent University, 1989

He holds an M.S.B.A., Business Administration, Boston University, 1980

He earned a B.B.A., Management, University of Notre Dame, 1976

BIOGRAPHY



Jason Greene President and Chief Executive Officer

Jason Greene began his career at Delta Star, Inc. in 2003 as Controller at Delta Star East located in Lynchburg, Virginia. The following year he assumed the position of Chief Financial Officer with the company and in 2005 was appointed Vice President.

He took a brief stint away from Delta Star in 2010, where he traveled abroad, serving as CFO and COO for a multi-state ministry.

He returned shortly thereafter to lead Delta Star's Field Service Business Division as Director. In 2012, Mr. Greene became General Manager of the Lynchburg manufacturing facility, Delta Star East. In May 2013, he was promoted to Director of Operations, with responsibility over the manufacturing facilities and Field Service Division. In 2014, he became COO which included oversight of all operations, administration and strategic development.

In 2016, Mr. Greene was promoted to his current position of President and Chief Executive Officer where he is responsible for the creation and implementation of the strategic direction for Delta Star, while ensuring that the organization maintains a constant awareness of the external competitive landscape, customer base, new industry developments and standards.

Mr. Greene is graduate of Virginia Tech with a degree in accounting and Harvard Business School. He is a Virginia Certified Public Accountant (CPA).

He currently serves on the Board of Directors for Freedom Word Church in Spout Spring, Virginia; Central Virginia Community College Foundation; and Hill City Crash based in Lynchburg, Virginia.

He currently resides in Spout Spring, Virginia with his wife and five children.



Senator Steve Newman

Vice President, Board Member, Chairman of the Board

Senator Steve Newman serves as the Vice President of Delta Star. Mr. Newman joined Delta Star in 2004 as a member of the Board of Directors and currently serves as Chairman of the Board. He joined the staff at Delta Star in 2005 where he was tasked to remake and modernize the Sales and Marketing departments.

During this time, Delta Star developed a business plan for the department that helped lead the company to a 900% increase in sales year over year. In 2009, Mr. Newman commissioned within Delta Star a stand-alone profit center from the field service group, which has become a \$15 million a year business.

Mr. Newman is active in the Central Virginia leadership including City Council, Virginia House of Delegates, and Senate of Virginia. Currently, he is the longest serving elected official in Central Virginia with over 28 total years of service at the Virginia State Capital.

Mr. Newman is married to the former Kimberly Norton and they have two sons. Tyler is a mechanical engineer and Wesley is a junior in college.

Opposition of Efforts to Expand Section 232 Finished GOES Steel Tariffs

President Trump's May 1, 2020 National Security Executive Order on the heightened concerns of the United States Bulk Power System (69,000 kV), including Power Transformers (HTS 850423), highlights the need to ensure the existence and strength of the United States domestic transformer supply chain. Expanding 232 tariffs on finished Grain Oriented Electrical Steel (GOES) threatens the survival of the Domestic Transformer Manufacturing Industry in the United States and the supply of Domestic Transformers to our National Grid.

Danger of Tariffs on Finished GOES

The multinational conglomerate Cleveland-Cliffs, having acquired AK Steel in March, recently requested the Department of Commerce conduct a 232 investigation and place additional tariffs on GOES for finished products. This request is duplicitous and narrow-minded. Should Cleveland-Cliffs/AK Steel's recommendation be instituted without modification, the end result would be the irrevocable harm committed against the domestic transformer manufacturing supply chain, the withering away of the market they purport to protect and American workers losing their jobs on an irreparable scale. Most importantly, their proposal runs counter to the National Security concerns recently raised in President Trump's Executive Order on foreign assets being placed on our electrical grid. In brief, supporting this proposal by the multinational conglomerate Cleveland-Cliffs/AK Steel would provide them nothing short of a Pyrrhic victory, with devastating long-term national consequences.

AK Steel's proposal is to add a new tariff on GOES for transformers made in the United States, by American companies, which directly impacts American workers. Remarkably, AK Steel's request does NOT recommend tariffs on GOES inside foreign manufactured transformers, which are shipped to the United States and directly compete with domestic manufacturers. Their proposal would solely place the burden of paying these new tariffs on American workers and American manufacturers. The end result could be the ruination of American manufacturers who produce complex power transformers, based solely on their decision to build domestically. These same manufacturers would likely have to make a tough business decision on whether or not they should relocate overseas, eliminating tens of thousands of American workers and then reap the benefits of obtaining instant relief from the GOES tariffs proposed by AK Steel. In a sad bit of irony, AK Steel's short term benefit of the inclusion of tariffs being placed on GOES could mean the reduction of US transformer manufacturing, their targeted customer base, ultimately putting their GOES factories out of business and their workforce onto the unemployment lines, as their customers relocate offshore; a direct consequence of their actions.

Power transformers are primarily made of steel, copper and oil; with GOES being the core of the power transformer. An average power transformer contains roughly 65,000 pounds of GOES. Foreign transformers have the same finished GOES inside (slit and cut steel) cores that domestic makers purchase in their finished form (slit and cut).

If AK Steel were truly interested in American jobs, they would have at least suggested that all foreign made GOES have a tariff placed on it, inclusive of GOES inside imported transformers. Unfortunately, AK Steel chose not to make that recommendation. Under AK Steel's proposal, foreign transformers from China, Korea, Europe, South America and the rest of the world enter the United States literally full of foreign GOES yet pay no tariff. If the administration was to consider adding a tariff on all GOES, including the steel packed into foreign power transformers, then the raw damage to domestic jobs could be mitigated.

Simply stated, the United States government should not endorse a policy that would impact every domestic transformer job (tens of thousands of Americans), while giving foreign manufacturers of power transformers a 25% advantage on the cost of GOES. If we agree to AK Steel's proposal on finished products and the power transformer without modification, that same power transformer industry that has been the backbone of United States prosperity and security for over 100 years will be placed at perilous risk.

Threat to National Security and the National Power Grid

On Friday, May 1, 2020, President Trump issued an Executive Order to ban the import of certain products in the bulk power system. This action was based on years of warnings and studies that have concluded that the nation's electrical grid is a major national security risk from many foreign suppliers (not just China).

Power transformers are the heart of our domestic power grid and the most vulnerable asset in the substation. Over the past ten years, the Department of Energy, the Department of Defense and numerous private and media investigations have predicted that the power grid, and in particular, the nation's power transformers, are at risk. Each of these reports have noted that it is essential to our national security that we retain a domestic supply chain over our power transformers. The President's extraordinary Executive Order is the capstone of these dire warnings related to the national security risks of the grid.

Given these facts, the United States government should not simultaneously enact policies that damage the domestic supply of power transformers by imposing a new 232 tariff on finished GOES that will clearly injure the National Security of the United States by undermining the availability and strength of American transformer suppliers. AK Steel's recommendation is a clumsy and incomplete approach that will hurt the domestic transformer manufacturing supply chain as well as damage a wide range of friendly partner nations. Our efforts should be dedicated towards developing the "pre-qualified" list of safe and approved electrical components and identifying that equipment and vendors from compromised "foreign adversary" components.

The threat to our National Security by this tariff on GOES would be two-fold. First, if domestic transformer manufacturers are forced to unfairly absorb the costs of tariffed steel while foreign transformer manufacturers are able to import transformers tariff-free (which contain GOES) into the United States, then our country will see a dangerous reduction in its manufacturing capacity. This will result in a loss of thousands of jobs throughout the domestic transformer manufacturing industry and its supply chain because of a government-sponsored unfair playing field. Second, our electrical grid has absorbed a growing percentage of foreign-made transformers onto the grid over many decades. Some of these transformers are supplied by hostile nations with smart technologies that both monitor activity on the grid and potentially control portions of the system. If domestic transformer manufacturing capacity is lost, the percentage of foreign transformer supply on our grid will undoubtedly and rapidly increase. This result would be the exact opposite to the intentions, efforts and policy agenda of the President's Executive Order

on May 1, 2020, that is meant to bolster our national security through limiting foreign exposure to our national electrical grid.

Foreign Transformer Dumping Cases, ITC, Market Conditions

The power transformer industry in the United States has endured many challenges, even before the COVID-19 virus and the proposed new 232 tariffs, on our critical supply of GOES. In the past ten years many factories have been forced to either close, consolidate or be sold to foreign manufacturers due to these market pressures.

In addition, our industry is the target of an aggressive product dumping attack from Asian transformer companies in China and South Korea. The Chinese case has not been filed yet, pending a determination of their total market size. However, the Korean manufacturers were proven to use their monopoly in their home country to substantially underprice domestic transformers by selling transformers here in the US below cost. The purpose of this attack was to build market share and ultimately eliminate American transformer manufacturers so that prices could be raised after the domestic supply was extinguished.

In 2011, the domestic transformer industry officially filed the ITC dumping case investigation no. 731-TA-1189. After a thorough investigation, the ITC and the United States Department of Commerce found the Korean manufacturers purposely damaged the United States transformer market. As a result, tariffs were placed on large power transformers from Korea. Unfortunately, Korean manufacturers continued to dump their products into the United States during the five years the tariffs were imposed, and at least one Korean transformer manufacturer was found to have falsified their import data to reduce their tariff payments. As a result, in 2018 this dumping case and punishment was extended for an additional five years. As of note, the GOES within these transformers does not have a tariff placed against it.

Today, the domestic power transformer sector remains competitive with extremely low margins and extraordinarily strong foreign competition. However, due to the importance in our mission of servicing the nation as “Essential Businesses,” domestic transformer manufacturers have committed ourselves to continue investing in: R&D, Capital Improvements, Customer Service and Employee Development to protect and service our nation’s grid.

Suggested Path Forward

It is the Domestic Transformer Manufacturing Sector’s position that finished GOES not have a tariff placed upon it as foreign transformer manufacturers will have an unfair price advantage, which will ultimately lead to utility customers purchasing foreign made transformers over domestically manufactured transformers. This result will lead to staggering losses to the domestic transformer manufacturing sector, ultimately leading to a severe National Security vulnerability. Should the Department of Commerce ultimately conclude that it is in the best interest to place 232 tariffs on imported GOES, it is the Domestic Transformer Manufacturing Sector’s position that those tariffs also be placed on GOES within imported transformers as that will level the playing field to a certain degree, while also providing domestic GOES manufacturers with the protections they have requested.