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SEPTEMBER 3, 2020

VIA EMAIL

Ms. Deborah Curtis
Chief Counsel
Bureau of Industry and Security
U.S. Department of Commerce

**PUBLIC VERSION
NON-CONFIDENTIAL**

Mr. Joe Jest
Division Chief, Enforcement
Office of the General Counsel
U.S. Department of Commerce

RE: Follow Up To Call with Goodman Manufacturing Company, L.P.

Dear Deborah and Joe,

Thank you for taking the time yesterday to discuss the situation concerning Goodman Manufacturing Company, L.P. (“Goodman”) and section 232 duties on aluminum. As discussed, Goodman has filed several exclusion renewal requests (the “renewals”) for previously approved exclusions. The renewals concerned light-gauge aluminum fin stock that Goodman sources from OARC, an aluminum producer located in Oman. We respectfully provide the following information pursuant to your request.¹

I. Background on Goodman

By way of background, Goodman and its parent company Daikin Industries have invested approximately \$500 million in a state of the art production facility called the Daikin Texas Technology Park (DTTP) located in Waller, Texas. Goodman invested in this U.S. production facility while many of its competitors moved production of air conditioners and HVAC products outside the United States. Opened in 2017, the DTTP is the third largest production facility in the United States, covering approximately 74 football fields under one roof. Goodman employs approximately 7500 employees,

¹ Goodman respectfully requests that the U.S. Department of Commerce not disclose any proprietary business information related to this document. Such request for confidential treatment includes restricting any response to a request under the *Freedom of Information Act* (5 U.S.C. § 552). Confidential treatment is requested for this submission and subsequent correspondence related to this submission, including any related Attachments containing business proprietary, financial, or other trade sensitive information not otherwise available to the public. Goodman asserts that the release of such information, including sourcing and pricing information, would be harmful to its competitive position in the marketplace.

including numerous engineers and other technical professionals. The DTTP also houses a research and development facility.

In addition to being the largest producer of air conditioners in the United States, Goodman also sources approximately []% of its components from North America. Moreover, Goodman has [] out of China, dropping Chinese sourcing from approximately []. Goodman has []. Thus, Goodman believes it is doing everything that the Trump Administration has asked: investing heavily in U.S. production, and shifting sourcing of components out of China.

II. Historical Purchases of Fin Stock from Domestic Producers

Historically, Goodman purchased [] of its light-gauge aluminum fin stock requirements from [], a domestic supplier. However, in 2016, the [].

Despite having a supply agreement with Goodman, in 2018 [] informed Goodman that it would no longer be able to supply 100% of Goodman's requirements for light-gauge aluminum fin stock. Under that agreement, Goodman had the provision totaling a minimum of []

[]. Moreover, even for the amount that [] was able to supply, [] Thus, even with regard to the supply contract that [].

Preferring to source from U.S. producers, Goodman then tried to purchase its additional needs from other domestic suppliers, but none had any availability. [] then recommended that Goodman purchase any of its additional needs from overseas suppliers.²

Because of the lack of domestic supply, Goodman entered into a contract with OARC. Due to the Section 232 duties that were in place on aluminum purchased from Oman, Goodman requested and received an exclusion from the Section 232 duties.

III. Current Supply Situation

Although Goodman still sources approximately [], it sources the remainder from OARC. Many of Goodman's exclusion requests have expired or soon will expire. Therefore, so as not to incur additional section 232 duties, Goodman has filed section 232 renewal exclusion requests.

Unlike the previous exclusions for which [] (or no other domestic producers for that matter) filed no objections, [] is now filing objections to

² If requested, Goodman will provide the numerous emails that it has with domestic producers that verify this information.

Goodman's renewals. It now claims that it has added a new production line that can supply all of the needs of Goodman.

Although [] has added a new production line, given the previous supply issues (detailed above in Section II) that Goodman had with [], Goodman simply does not believe that [] has the ability to supply all of its requirements for light-gauge aluminum fin stock. Also, please recall that Goodman is not the only consumer of light-gauge aluminum fin stock. Given the pervasive previous supply shortfalls, it is highly unlikely that [] can supply with its new production line all of the requirements of the numerous industries that consume light-gauge aluminum fin stock. Moreover, Goodman has recently had []. Given all of these issues, Goodman has lost confidence in the ability of [] consistently to supply it with quality products on a timely basis. Goodman does not want to be put in the position that it was in previously when []. In order for Goodman to continue to invest heavily in the U.S. and expand its U.S. operations, it cannot be at the whim of a domestic supplier that [].

Failure of the Administration to renew Goodman's Section 232 exclusions for light-gauge aluminum fin stock would result in [] additional costs for Goodman. If the Administration does not grant Goodman's Section 232 renewals, Goodman will incur these additional costs while many of its overseas competitors will not, because those competitors assemble the final air conditioner and HVAC products in countries that do not impose similar restrictions on aluminum imports. Goodman estimates that, between the tariffs and the likely additional costs, the annual burden on Goodman will be approximately []. Goodman believes this is unfair because [] and other domestic industry suppliers caused Goodman to transition its purchases overseas in the first place. Finally, Goodman will incur these additional costs at a time when a pandemic is occurring and Goodman is facing supply disruptions throughout its supply chain.

Goodman is effectively and efficiently taking all the steps the Trump Administration is encouraging:

- Goodman has invested heavily in U.S. manufacturing.
- Goodman has 10,000 full-time employees at its facilities in the US, of which 8,200 are at the DTTP. That number is expected to grow to 9,000 by October 2020.
- Goodman has increased many engineering and other technical jobs.
- Goodman is sourcing high percentage of parts from domestic suppliers.
- Goodman has reduced sourcing from Chinese suppliers by [].
- Goodman has plans to reduce Chinese sourcing even further.

Goodman respectfully requests that the Administration consider the challenges that Goodman is facing, including the [] cost increase due to Section 232 tariffs on aluminum. The Section 232 program should not put Goodman at a competitive disadvantage vis-à-vis its overseas competitors. Although the purpose of the section

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232 program is to assist U.S. producers of metals, it was not the intent to harm domestic manufacturers that are striving to meet the Administrations' goals. Goodman trusts the Administration will consider this information when ruling upon its exclusion requests

Respectfully Submitted,

A handwritten signature in blue ink that reads "Douglas J. Heffner". The signature is written in a cursive, flowing style.

Douglas J. Heffner
Counsel to Goodman Manufacturing Company, L.P.