Topy Corporation
980 Chenault Road
Frankfort, KY 40602

January 15, 2002

By E-Mail to FROOO1@ustr.gov

Ms. Gloria Blue
Executive Secretary, TPSC
Office of the U.S. Trade Representative
600 Seventeenth Street, N.W.
Washington, D.C. 20508

Re: Topy Corporation Exclusion Request For Hot-Rolled Dual-Phase Steel[1]

Dear Ms. Blue:

This letter is filed by Topy Corporation ("Topy") as a follow-up to Topy's November 9, 2001 letter requesting an exclusion for hot-rolled dual-phase steel from any Presidential trade action in the Section 201 case. Specifically, this letter is filed to respond to filings by domestic steel producers commenting on exclusion requests for hot-rolled dual-phase steel ("Dual-Phase Steel") and to report on Topy's conversations and meetings with one domestic steel producer that has claimed in a press release to be able to produce Dual-Phase Steel.

As noted, Topy's exclusion request was not assigned an exclusion request number by the TPSC, and this request was not the subject of comments by two groups of domestic steel producers, specifically (1) a December 6, 2001 joint filing by Dewey Ballantine LLP and Skadden, Arps, Slate, Meagher & Flom LLP on behalf of Bethlehem Steel Corporation, LTV Steel Company, Inc., National Steel Corporation, and United States Steel LLC ("Dewey/Skadden filing") and (2) a December 7, 2001 letter filed by Schagrin Associates on behalf of a number of steel companies and the Minimill 2001 Coalition ("Flat Products") ("Schagrin filing"). Both the Dewey/Skadden filing and the Schagrin filing, however, did comment on an exclusion request for Dual-Phase Steel made by Honda of America Mfg., Inc. which request utilized the same definition of Dual-Phase Steel, specifically a definition taken from the exclusion for this product provided for in the 1999 hot-rolled antidumping investigation. The Schagrin filing stated that the

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[1] For some reason, Topy's exclusion request for hot-rolled dual-phase steel was not assigned an exclusion request number.

domestic producers represented in that filing did not object to the exclusion of Dual-Phase Steel "[p]rovided that this product is not produced by other U.S. manufacturers." See Schagrin filing at page 21 (Public Version). However, the Dewey/Skadden filing states that "[ ] can produce this product," see Dewey/Skadden filing for Hot-Rolled Exclusion Requests at page 1 (Public Version), indicating that at least one of the four domestic steel companies represented by the Dewey/Skadden filing claimed to be able to produce this product.

Topy does not have access to the confidential version of the Dewey/Skadden filing, but it appears that the claim relating to Dual-Phase Steel comes from National Steel Corporation ("National"), particularly since Topy's November 9, 2001 letter included copies of support from both United States Steel LLC and Bethlehem Steel Corporation. Also, National issued a News Release dated November 26, 2001 claiming that it had developed a "hot dip galvanized or galvannealed Dual-Phase (DP) steel." Accordingly, it appears that National is the only United States steel company objecting to an exclusion for Dual-Phase Steel.

Topy has met with National officials twice to discuss National's development of Dual-Phase Steel, specifically one meeting held December 11, 2001 and a second meeting held January 14, 2002. As detailed below, it is clear from these meetings with National officials that (1) National has not made any commercial sales of Dual-Phase Steel to any customer for any purpose, (2) National is only at a fairly early stage of the development process, (3) there are many materials issues and qualification issues that would have to be resolved before National could be qualified to provide Dual-Phase Steel for Topy's use, and (4) these issues would take an estimated 12-18 months to resolve, even if all issues could be resolved successfully.

1. National Has Not Made Any Commercial Sales of Dual-Phase Steel.

It is plain from our discussions with National that National has not made any commercial sales of Hot-Rolled Dual-Phase Steel to any customer for any purpose. During our meeting on December 11, 2001, National supplied only a very small sample of a product they had produced as Dual-Phase Steel, and this sample was not suitable for test purposes. National initially promised to provide test samples to Topy by mid-January, 2002, but National has since advised Topy that they will not be able to produce test materials until early February, 2002. Further, in our meeting with National officials on January 14, 2002, they confirmed that National has only provided limited material to one other wheel manufacturer who fabricated wheels for National's own evaluation.

2. National Is Only at a Fairly Early Stage of Its Development of Dual-Phase Steel.

During our meeting with National officials on January 14, 2002, Topy was advised that thus far National has produced only three heat melts of Hot-Rolled Dual-Phase Steel. As noted above, National has not yet even provided Topy suitable test quantities, and has not indicated its ability to do so before February, 2002. Further, during Topy's December 11, 2001 meeting with technical officials of National, Topy learned that National had considerable further development to complete before it would be able to develop products meeting Topy's requirements, much less be able commercially to provide such products. For example, the National representatives acknowledged that they were not able to meet Topy's surface quality requirements, and the small

sample that was provided had poor surface quality. Also, National indicated that it has thus far produced only in thicknesses ranging from 2.5 to 5.5 mm, which does not cover all of Topy's current requirements. Finally, during the most recent meeting on January 14, 2002, National indicated that it had provided only very limited material to another wheel manufacturer who fabricated wheels for National's own evaluation.

3. There Are a Large Number of Materials Issues and Qualification Issues That Would Have to be Successfully Resolved Before National Could be Qualified to Provide Dual-Phase Steel to Topy.

As noted in Topy's November 9, 2001 exclusion request, Dual-Phase Steel is a unique product that is superior to other steels in providing both ductility and low tensile strength during the forming process and excellent fatigue resistance in actual field performance. The process of qualifying the National product for Topy's use would require resolution of a significant number of materials issues and qualification issues, including the following:

A. Materials Issues.

- (1) thickness ranges: As noted above, National has produced Dual-Phase Steel in thickness ranges from 2.5 to 5.5 mm, whereas Topy's requirements include thicknesses up to 6.5 mm. National has stated that it believes that it can produce a product of 6.0 mm, but is not sure about production of material of 6.5 mm.

- (2) thickness tolerances: National would have to be able to meet Topy's requirements on thickness tolerances.

- (3) surface quality: Excellent surface quality is extremely important for Topy and its customers, since appearance is a vital aspect of the acceptability of the wheels that Topy produces. For example, it is critically important that the Dual-Phase Steel not include so-called "silicon striping" that mars the appearance of the material. As noted above, the National representatives acknowledged that considerable development would be required for them to be able to produce Dual-Phase Steel meeting Topy's surface quality requirements.

- (4) hole expandability; Topy requires excellent hole expandability, as measured using a standardized hole expandability test. National has not demonstrated that their product can meet this test requirement.

- (5) consistency of mechanical properties: Topy requires that the Dual-Phase Steel provide consistent mechanical properties both within the coil and from coil to coil. National must be able to provide test coils that will allow Topy to confirm this consistency.

- (6) flatness of the product: Topy also requires that the Dual-Phase Steel meet requirements that it be flat after uncoiling, so that the product will work well with Topy's stamping dies.

- (7) temper-rolling: Topy's current product is temper-rolled after being hot-rolled in order to meet the materials requirements noted above, and National would have to be able to provide equivalent temper rolling.

B. Qualification Issues.

- (1) fatigue testing: Topy must test samples to confirm that the National material holds up in fatigue tests.

- (2) field performance testing: Topy's customers must be able to confirm that wheel discs made of the National material meet their requirements.

- (3) paintability testing: Topy and its customers must be able to confirm that the National material meets painting requirements.

- (4) weldability testing: Topy and its customers must be able to confirm that the National material can be welded as required.

- (5) formability testing: Topy and its customers must be able to confirm that the National material can be formed as required by the different wheel designs. (Topy uses Dual-Phase Steel to produce 32 different wheels for seven different customers.)

- (6) dimensional tolerances for the finished parts as formed: Topy and its customers must be able to confirm that wheel discs made from the National material meet dimension tolerances required by the different wheel designs.

4. Even If All Issues Could be Resolved Successfully, It Would Take A Minimum of 12-18 Months to Quality the National Product.

At this point in the process, before National has supplied even initial test materials, it is simply impossible for Topy (or National) to know whether National will be able to produce Dual-Phase Steel meeting Topy's material and qualification requirements or, if so, how long this process will take. However, based upon Topy's experience, even if the testing and evaluation process proceeds very smoothly, this process would take a minimum of 12-18 months or more to complete, particularly given the large number of wheel designs and customers involved.

In short, National's claim that it may be able to produce Dual-Phase Steel meeting Topy's requirements is at best speculative. The reality is that National cannot currently meet these requirements and it is uncertain whether they will ever be able to meet Topy's requirements. In fact, Topy has purchased another hot-rolled grade from National since 1999. National's quality

performance and limited grade range have precluded any significant growth in National's share of Topy's steel purchases (compared to other domestic steel suppliers).

In these circumstances, it is critically important to Topy's survival that it receive an exclusion for Dual-Phase Steel from any increased duty or other restrictions the President may impose in this Section 201 case. Topy appreciates the consideration of this additional information in support of its exclusion request for Dual-Phase Steel. If there are any questions, please do not hesitate to contact me at 502-695-6163 x1225.

Sincerely,

Louis Allegra
Executive Vice President

LA/
Attachments
cc: Mr. Andrew Stephens
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