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Public Version

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Via Electronic Mail

Gloria Blue
Executive Secretary
TPSC, Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Steel 201, Request To Exclude Products From Section 203 Import Relief - Battery-Quality Hot Band

Dear Ms. Blue:

This request is submitted on behalf of Thomas Steel Strip Corporation ("TSS" or "Thomas"), Corus Staal BV, and Corus Steel USA Inc., seeking the exclusion of battery-quality hot band ("BQHB") from any relief that may be imposed in the Section 201 investigation of Certain Steel.

Battery-quality hot band is a highly specialized product for use in the manufacture of alkaline battery cans, for ultimate use in consumer batteries. As explained below, BQHB should be excluded from any relief imposed in the subject proceeding. BQHB imports do not compete with U.S. production,

as there is no qualified source of BQHB in the United States, and other hot-rolled sheet and strip is not substitutable with BQHB. Set forth below are the details sought in the notice dated October 26, 2001, 66 Fed. Reg. 54,321.

(a) The designation of the product under a recognized standard or certification (e.g., ASTM, DIN), or the commercial name for the product and the HTS number under which the product enters the United States.

The commercial name for the product is battery-quality hot band ("BQHB"). Because the product is specifically tailored for its ultimate end use, there is no "recognized standard" that applies. The applicable HTS numbers include, but are not limited to, the following: 7208390030, 7208390090, 7208270060, 7225307000.

(b) A description of the product based on physical characteristics (e.g., chemical composition, metallurgical properties, dimensions, surface quality) so as to distinguish the product from products for which exclusion is not sought.

The description of battery-quality hot band is as follows:

Hot-rolled, continuously cast steel sheet in coil. The steel shall be ultra-clean, with individual particles of non-metallic inclusions not greater than 1 micron (0.000039 inches) and clusters or groups of non-metallics not exceeding 5 microns (0.000197 inches) in length. The chemical composition shall be (%):

C.	08 max	aim	.05 max
Mn	.45 max	aim	.30 max
P	.025 max	aim	.015 max
S	.020 max	aim	.015 max
Al	.025/.065	aim	.030/.050 (.025 min acid soluble)
Si	.050 max		
Cr	.050 max		
Ni	.050 max		
Cu	.050 max		
Mo	.010 max		

except when a nominal thickness of 0.081 inches is ordered, in which case the maximum Carbon content shall be 0.064%.

Scale shall be completely removable by hydrochloric acid pickling, the resulting surfaces being free of digs, scratches, pits, gouges and slivers. The steel shall have a typical crown of less than .002 inches, measured 0.75 inch from the edge of the coil.

(c) The basis for requesting an exclusion.

BQHB is a highly specialized product. As representatives of Duracell and Energizer testified at the U.S. International Trade Commission's ("ITC") July 17, 2001 hearing in the antidumping investigations of hot-rolled steel, battery cans are critical components of batteries because they prevent leakage of the batteries' contents. See July 17, 2001, ITC Tr. at 207, 211-12. The battery can application is arguably one of the most difficult end uses for steel strip in the world. The nickel-plated strip is drawn through a series of steps from a flat

piece into the shape of the battery can. Any imperfection on the surface or below the surface of the strip will manifest itself into a small pinhole in the can during the drawing process and ultimately the resulting battery may leak.[1] Accordingly, battery manufacturers have very exacting technical requirements for the steel strip that they purchase. They formally qualify suppliers based on the performance of the supplier's product. This process may take anywhere from one to three years, and it may take an additional two years before a supplier could produce meaningful quantities of the product, given the highly demanding technical characteristics of the product. See July 17, 2001, ITC Tr. at 208, 212.

At present, there is only one producer of the nickel-plated strip for battery cans that has been qualified by Duracell and

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[1] There are three principal quality concerns that affect BQHB. First, a critical quality concern with BQHB is to minimize non-metallic inclusions. Second, a critical quality requirement for BQHB is the metal's surface quality and shape. To produce an acceptable battery can, the nickel-plated steel strip must have perfect shape and surface quality. Third, the "crown", or center thickness, of the hot band must not exceed a specified level.

Energizer, whose batteries comprise approximately 85% of the market. That company is Corus Staal BV of the Netherlands. See July 17, 2001, ITC Tr. at 206-213. Corus Staal sells BQHB to TSS; TSS is located in Warren, Ohio. TSS processes the BQHB into nickel-plated steel strip, which it then supplies either directly to battery manufacturers that make their own cans or to battery can manufacturers, such as Bouffard Metal Goods, located in Watertown, Connecticut. These battery can manufacturers then manufacture the actual battery can for supply to the battery manufacturers, principally Duracell, Energizer and Rayovac.

As Duracell and Energizer representatives testified before the ITC, there currently is no qualified source of BQHB in the United States. In fact, the witnesses testified regarding the lack of interest among domestic producers for entering this market and their unsuccessful efforts to find domestic sourcing of BQHB. See July 17, 2001, ITC Tr. at 208-12. As a result of the lack of domestic production of BQHB, Duracell and Energizer, as well as Rayovac and two battery can manufacturers, Bouffard Metal Goods, Inc. and Truelove & Maclean, Inc., requested the

exclusion of BQHB from the Commerce Department's antidumping investigation of hot-rolled steel.

There is only one other company in the United States that sells nickel-plated steel strip for use in batteries. This is Worthington Steel Malvern. Whereas Thomas starts its manufacturing process with BQHB, Worthington starts its process further downstream with annealed, temper rolled cold-rolled strip from Japan. The fact that the domestic steel industry has agreed to the exclusion of imported cold-rolled battery-grade steel from the scope of this investigation is further evidence of the lack of interest on the part of the domestic industry in the production of steel for battery cans for use by battery manufacturers.

Trade restrictions on BQHB would not provide a benefit to U.S. steel producers, but would cause significant harm to U.S. battery and battery can manufacturers, as well as to Thomas. As Rayovac stated in its letter to the Department of Commerce:

> There are more than forty (40) companies making alkaline batteries around the world today. Only four of these companies reside in the United States. Including BQHB in the antidumping action would potentially make US battery companies less competitive on a global basis and surely

> open our local battery markets to offshore markets. In addition, this action may cause a shift from local manufacturing to offshore products in order to manufacture with lower materials costs.[2]

Moreover, Thomas' approximately 500 U.S. employees are equally at risk should imports of BQHB be curtailed by reason of import relief.

Thus, the basis for this exclusion request is the fact that there is no qualified U.S. source for BQHB, and there is no prospect of identifying and qualifying any potential such source within a reasonable period of time. Accordingly without an exclusion, Thomas would be unable to obtain the material which it needs for its manufacturing process, and hence, its customers would be without a source of supply. (Using an unqualified source is not a viable option, technically or contractually.)

(d) The names and locations of any producers, in the United States and foreign countries, of the product.

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[2] Letter of Patrick L. Gore, Vice President - Purchasing, Rayovac Corporation to Secretary of Commerce Evans (March 2, 2001).

There are no known U.S. producers of BQHB. In addition to Corus Staal BV in the Netherlands, it is believed that there may be one or two Japanese producers of BQHB.

(e) Total U.S. consumption of the product, if any, by quantity and value for each year from 1996 to 2000, and projected annual consumption for each year from 2001 to 2005, with an explanation of the basis for the projection.

Total U.S. consumption of BQHB equals Thomas' consumption of BQHB, set forth below:

Year	Short Tons	Value (000 USD)
1996	[100]	[100]
1997	[108]	[105]
1998	[104]	[96]
1999	[113]	[102]
2000	[109]	[93]

Projected annual consumption is based on the expected outturn of Thomas' 2001 purchase regime from Corus Staal and the purchase projection for 2002. Further projections are based on Thomas' projecting the development of its battery business and using those growth percentages to apply to BQHB, relying on the latest 2002 purchase projection as the base:

Year	Short Tons	Value (000 USD)
2001	[67]	[62]
2002	[88]	[72]
2003	[96]	[78]
2004	[100]	[82]
2005	[106]	[87]

If there is a punitive tariff remedy or a restrictive quota, then these projections may be invalidated, since without access or economic access to its sole source of supply, Thomas right now does not see a way of continuing its business.

(f) Total U.S. production of the product for each year from 1996 to 2000, if any.

No known U.S. production.

(g) The identity of any U.S.-produced substitute for the product, total U.S. production of the substitute for each year from 1996 to 2000, and the names of any U.S. producers of the substitute.

There are no U.S.-produced substitutes. Only Worthington Steel Malvern and TSS produce the downstream battery product. TSS purchases its feedstock from the Netherlands, and it is believed that TSS's competitor (Worthington) purchases a further-processed cold-rolled feedstock from Japan.

Please note that confidential treatment is requested for the numeric data set forth above, containing confidential sales data and projections of TSS, the public release of which could harm TSS's competitive position (the numbers are indexed in the public version).

Respectfully submitted,

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