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November 13, 2001

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FILE NO: 47894.000006

**PUBLIC VERSION**

**VIA ELECTRONIC MAIL**

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

**Re: Section 201 Investigation -- Certain Steel Products (Stainless Steel Wire)**

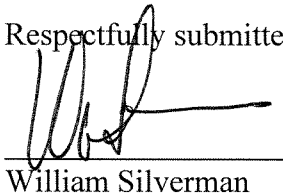
Dear Ambassador Zoellick:

On behalf of Sandvik Steel Company ("Sandvik"), a producer of certain stainless steel products, we hereby submit the attached exclusion request brief in the above-referenced investigation.

In accordance with 15 C.F.R. § 2003.6, we request confidential treatment of information contained in brackets on certain pages and exhibits. Disclosure of this information, which contains business proprietary information of Sandvik, would cause substantial harm to Sandvik. Specifically, the bracketed information concerns internal Sandvik accounting data which we have ranged as requested, as well as proprietary detailed product specifications. Public summaries of the specifications for each product are contained in the text of the brief.

Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,



William Silverman
Douglas J. Heffner
Richard P. Ferrin
Michelle R. Wildstein
**Hunton & Williams**
Counsel to Sandvik Steel Company

Attachments

**BEFORE THE**
**UNITED STATES TRADE REPRESENTATIVE**
**WASHINGTON, D.C.**

PUBLIC VERSION
NON-CONFIDENTIAL

| | |
|---|---|
| **CERTAIN STEEL PRODUCTS** | ) |
| Stainless Steel Products | ) |

# EXCLUSION REQUEST OF SANDVIK STEEL COMPANY


William Silverman
Douglas J. Heffner
Richard P. Ferrin
Michelle R. Wildstein
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1900 K Street, N.W.
Washington, D.C. 20006
*Counsel to Sandvik Steel Company*


November 13, 2001

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## I. SUMMARY OF ARGUMENTS

The President should exclude stainless steel products imported by Sandvik from any relief recommendations for the following reasons:

- Sandvik produces high quality specialized stainless steel products that are not produced in commercially viable quantities by domestic producers.
- Domestically produced products are not suitable substitutes for Sandvik products.
- Purchasers of Sandvik's products would be seriously injured if Sandvik's products were included in any relief recommendations submitted to the President.

## II. SUMMARY OF LEGAL PRINCIPLES

In an investigation under Section 201 of the Trade Act, the International Trade Commission (the "Commission") must determine whether "an article is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article," 19 U.S.C. § 2252(b)(1), and recommend to the President proper remedial action in the event that it makes an affirmative injury determination. 19 U.S.C. § 2252(e). The President, upon receipt of such a recommendation, shall take such appropriate and feasible action as he determines will "facilitate efforts by the domestic industry to make a positive adjustment to import competition and provide greater economic and social benefits than costs." 19 U.S.C. § 2251. In making such a determination, the President shall take into account the effects of the relief on consumers in the domestic market. 19 U.S.C. § 2253(a)(2)(F)(ii).

The President has discretion to exclude from its relief recommendations to the President products that are not produced by the domestic industry. The importation of such products has no impact on the domestic industry because the domestic industry does not compete for the sales

of such products. Such importation, however, greatly benefits domestic consumers who would otherwise be unable to acquire these products. Any import relief imposed against such products would not facilitate adjustment efforts by the domestic industry, but would have a detrimental effect on domestic consumers of the products by hindering their ability to compete effectively in their industries. Accordingly, Sandvik requests that the President exclude such products from any import proclamation.

## III. THE PRESIDENT SHOULD EXCLUDE FROM ANY IMPORT RELIEF ANY SPECIALIZED STAINLESS STEEL PRODUCTS PRODUCED BY SANDVIK

Sandvik Steel Company, Sandvik AB, and its subsidiaries, Fagersta Stainless AB, and GUSAB Stainless AB ("GUSAB") (collectively, "Sandvik") produce and import through Sandvik Steel Company small volumes of specialized stainless expanders and needle wire for which no significant domestic production exists. For a number of years, Sandvik has been a valuable supplier of these niche products to domestic purchasers. Because these specialized stainless steel products are unavailable from domestic sources and are necessary to the operations of certain domestic manufacturers, Sandvik respectfully requests that the President exclude its products from any import relief.

### A. The President Has Discretion To Exclude From Any Import Relief Proclamation Certain Specialty Products Imported Into The United States But Unavailable From Domestic Sources

The President has authority under Section 201 of the Trade Act to exclude from import relief imports of specialty products, which, while technically within the scope of the investigation, are non-injurious because they are not produced in the United States, or are not produced in the United States to quality or quantity levels required by domestic consumers. In a Section 201 investigation, the Commission must first determine whether "an article is being

imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article." 19 U.S.C. § 2252(b)(1). Having come to an affirmative conclusion, the Commission must now recommend proper remedial action to the President. 19 U.S.C. § 2252(e). The President, upon receipt of such a recommendation, shall take such appropriate and feasible action as he determines will "facilitate efforts by the domestic industry to make a positive adjustment to import competition and provide greater economic and social benefits than costs." 19 U.S.C. § 2251. In making such a determination, the President shall take into account the effects of the relief on consumers in the domestic market. 19 U.S.C. § 2253(a)(2)(F)(ii).

Sandvik notes that the Commission has considered the effects of import relief on consumers in determining whether to exclude certain products from relief recommendations in previous Section 201 investigations. In *Certain Steel Wire Rod*, Vice Chairman Miller and Commissioner Koplan, in a view later adopted by the President, recommended the exclusion of certain specialty wire rod products.[1] They stated that "the exclusion of certain specialty products further limits the impact of the remedy on purchasers of wire rod products that are either not available from domestic suppliers or are not available in commercially significant volumes.[2] Vice Chairman Miller and Commissioner Koplan thus recognized that relief should not be imposed on certain specialty products that are unavailable from domestic producers because such relief would unfairly affect consumers. The President should do likewise in the instant case.

---

[1] Certain Steel Wire Rod, TA-201-69, USITC Pub. 3207 (Jul. 1999) at I-56 (Views on Remedy of Vice Chairman Miller and Commissioner Koplan).

[2] *Id.*

The President has discretion to exclude specialty products from any import relief when such products would not facilitate adjustment efforts by the domestic industry because the domestic industry does not produce substitute products. Such relief would have a detrimental effect on domestic consumers by limiting the availability or increasing the cost of products necessary to their survival. Their ability to compete effectively in their industries would therefore be severely limited. The President has the authority to exclude such products from import relief recommendations in order to avoid unnecessarily injuring downstream domestic industries, and should exercise such authority in the instant case to exclude specialized spacer expanders and needle wire products produced by Sandvik.

### B. Sandvik Produces And Imports Specialty Stainless Steel Products Unavailable From Domestic Sources

Sandvik produces and imports into the United States, among other things, spacer expanders and needle wire steel products. There is little, if any, domestic production of these products. Even where a similar product is produced domestically, the domestic producer has shown no interest in supplying the product on a commercial scale, or has supplied a product which is unsatisfactory to the consumer. Specifically, it is extremely difficult or impossible to obtain domestically produced stainless products of the kind Sandvik imports, which typically must be of a certain high quality.

Though not produced domestically, or not supplied by domestic producers at acceptable quality levels or in appropriate quantities, the products mentioned above are required in the operations of domestic purchasers. Detailed product specifications for each product were set forth in Exclusion Request Data Sheets filed with the Commission on October 25, 2001. The Exclusion Request Data Sheets are also being submitted as exhibits to this request.

Two Sandvik customers submitted letters to the United States Trade Representative ("USTR") in connection with this investigation. They indicated that there are no alternative domestic sources of products. Specifically, domestic products are either unavailable, or if available, of inferior quality compared to Sandvik products. They also stated that their companies depend on the ability to use Sandvik steel to manufacture their products, and that they would be unable to compete in the marketplace absent the ability to use Sandvik's products in the manufacture of their own products. For these reasons, Sandvik requests that the President exclude its spacer expanders and needle wire products from any relief recommendations. A discussion of the specific products is set forth below, which includes the information requested in the *Federal Register* notice of October 26, 2001, 66 Fed. Reg. 54321, (Office of the United States Trade Representative, Oct. 26, 2001).

**1. Needle Wire**

(a) Product designation: Sandvik produces a proprietary grade 1RK91. Sandvik also produces a commercial grade 420. Two HTS numbers apply to this product: 7223.00.1030 and 7223.00.1045.

(b) Product description: Needle wire products are used by purchasers for making suture needles. Sandvik's needle wire has a maximum allowable crack depth level of 0.0% of the wire diameter. In other words, no cracks are allowed. This can be measured by cross section analysis and eddy current testing. This requirement is due to the nature of the final product, surgical suture needles. Any crack in the wire has the possibility to propagate and a needle break can occur during an operation. Please see the attached specifications set forth in the Exclusion Request Data Sheet at Exhibit 1.

(c) Basis for requesting an exclusion: There are no domestic producers of these needle wire products. In addition, Sandvik's customers such as B.G. Sulzle rely on Sandvik's needle wire to manufacture their products. David Sheridan of B.G. Sulzle states in a letter to the USTR that the grade of needle wire his company needs to manufacture drilled-end needles is simply not produced to the right specifications in the United States, and that B.G. Sulzle must therefore rely on products such as Sandvik's. Letter to The Honorable Robert B. Zoellick, U.S. Trade Representative, from David Sheridan, B.G. Sulzle, (November 12, 2001), attached as Exhibit 2.

(d) Names and locations of other domestic and foreign producers: There are no other U.S. producers of this product. Sandvik understands that Fort Wayne Metals in Fort Wayne, Indiana has the capability to produce grade 420 needle wire but does not currently make this product. Branford Wire in Mountain Home, North Carolina produces grade 420 needle wire but for channeled-end applications, not drilled-end. Foreign producers include Zapp in Germany[3] and Winterbottom in the United Kingdom.

(e) Total U.S. consumption:

RANGED DATA

Total U.S. consumption is as follows:

| 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|
| 92,000 | 66,000 | 96,000 | 26,000 | 86,000 |
| 2,500,000 | 2,200,000 | 2,800,000 | 710,000 | 2,500,000 |

PUBLIC VERSION
NON-CONFIDENTIAL

| 2001 Proj. | 2002 Proj. | 2003 proj. | 2004 proj. | 2005 proj. |
|---|---|---|---|---|
| 76,000 | 98,000 | 88,000 | 77,000 | 66,000 |
| 2,200,000 | 2,600,000 | 2,700,000 | 2,200,000 | 2,500,000 |

[3] Zapp has manufacturing facilities in South Carolina, but the needle wire that Zapp sells in the United States is made from German-origin wire.

Projections for 2001 are year end numbers through October projected out 2 more months. Projections from 2002 - 2005 are based on the cyclical nature of this business. 1999 was an anomaly due to the merger of 2 large companies, U.S. Surgical Corporation and Davis & Geck, which forced an adjustment in finished goods inventory.

(f) Total U.S. production: There is no U.S. production of this product. Branford makes 420F but the quality of the product is suitable only for channeled-end surgical needles, not drilled-end ones of the kind Sandvik's needle wire is used for. It would be unreasonable to assume that even if Branford chose to produce grade 420 wire suitable for drilled-end surgical needles that it would be capable of supplying the needs of the entire U.S. industry.

(g) Identification of any U.S.-produced substitute: There are no U.S.-produced substitutes for this product.

**2. Spacer Expanders**

(a) Product designation: The commercial name of the product is spacer expander flat wire grade 201. Its HTS number is 7223.00.5000.

(b) Product description: Spacer expander wire is a precision rolled flat wire with tight dimensional tolerances as to width and thickness that is used by domestic purchasers for making piston oil rings. Please see the attached product specifications at Exhibit 3.

(c) Basis for requesting an exclusion: There are no domestic producers of these products at the quality specifications produced by Sandvik. Although counsel for domestic stainless steel producer Carpenter alleges that Charter and Zapp produce a similar grade of steel, Sandvik's customers such as the Perfect Circle Division of Dana Corporation find the quality of Zapp's product significantly inferior to Sandvik's product, and were unaware that Charter was even a producer of wire for spacer expanders. Letter to the Honorable Robert B. Zoellick, U.S. Trade

Representative, from Jim Toppen, Dana Perfect Circle Division, (Nov. 7, 2001) attached as Exhibit 4. In his letter, Mr. Toppen states there are no domestic producers that can produce the product of the quality requirements that are demanded by Dana, and that Dana has tried to qualify U.S. suppliers such as Zapp in South Carolina, but that it has been unable to do so.

(d) Names and locations of other domestic and foreign producers: There are no domestic producers of flat wire for spacer expander applications. Garphyttan in Sweden is the only other foreign producer of flat wire for spacer expanders.

(e) Total U.S. consumption:

Total U.S. consumptions is as follows:

| 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|
| 1,100,000 | 1,200,000 | 1,300,000 | 1,100,000 | 1,100,000 |
| 3,600,000 | 4,200,000 | 4,200,000 | 3,600,000 | 3,200,000 |

| 2001 Proj. | 2002 Proj. | 2003 Proj. | 2004 Proj. | 2005 Proj. |
|---|---|---|---|---|
| 1,500,000 | 1,210,000 | 1,210,001 | 1,110,000 | 1,110,000 |
| 3,200,000 | 3,600,000 | 3,650,000 | 3,600,000 | 3,650,000 |

Projections for 2001 are year end numbers through October projected out 2 more months. Projections from 2002-2005 are based on a slight pick up in flat wire over slit strip but not at the high level of 1998 due to production moving from the USA to Mexico.

(f) Total U.S. production: There is no U.S. production of flat wire for spacer expanders.

(g) Identification of any U.S.-produced substitute: There are no U.S.-produced substitutes for this product.

### C. Because Domestic Products Are Not Suitable Substitutes For Sandvik's Products, They Should be Excluded From Any Import Relief

Sandvik's products are sold in the United States to purchasers who manufacture products for resale to other U.S. customers. Such customers purchase Sandvik's products either because Sandvik is one of the only companies in the world to manufacture the product, or because Sandvik is one of only a few companies that manufacture the product to the particular degree of quality. For the Sandvik customers described above, substituting products manufactured by the domestic industry is simply not an option.

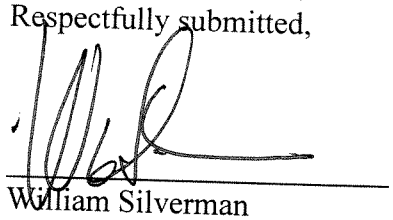
Any import relief imposed against Sandvik's products will result in the sheer inability of Sandvik's U.S. customers to manufacture quality products, which could eventually put them out of business. The purchasers who submitted letters in connection with this investigation reiterated that there are no U.S. producers of the Sandvik products discussed above.

In summary, domestic stainless steel products of the kind produced by Sandvik are of inferior quality and do not compete with U.S. products, or are not produced in the United States. Not only does Sandvik fail to injure the domestic industry, but it provides a great benefit to various domestic manufacturers. Accordingly, Sandvik's spacer expanders and needle wire products should be excluded from any import relief.

## IV. CONCLUSION

For the foregoing reasons, Sandvik respectfully requests that the President exclude Sandvik's spacer expander and needle wire products from any import relief he proclaims in connection with the 201 steel investigation.

Respectfully submitted,



William Silverman
Douglas J. Heffner
Richard P. Ferrin
Michelle R. Wildstein
**Hunton & Williams**
*Counsel to Sandvik Steel Company*

## TABLE OF EXHIBITS


| | |
|---|---|
| Exhibit 1 | Exclusion Request Data Sheet for Needle Wire |
| Exhibit 2 | Letter from David Sheridan, B.G. Sulzle, to the United States Trade Representative, November 12, 2001 |
| Exhibit 3 | Exclusion Request Data Sheet for Spacer Expanders |
| Exhibit 4 | Letter from Jim Toppen, Dana Corporation, Perfect Circle Division, to the United States Trade Representative, November 7, 2001 |

# EXHIBIT 1

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

***STEEL*, Inv. No. TA-201-73**

**EXCLUSION REQUEST DATA SHEET**

If you are interested in requesting that specific products be excluded from this investigation, please supply the following information to the Commission by no later than Wednesday, October 17, 2001. Complete a separate exclusion request form for every product you are requesting an exclusion for. You may fax the completed form to the attention of D.J. Na at 202-205-3205.

| | |
|---|---|
| Firm:Sandvik Steel Co. | Fax [ ] |
| | Email address:: [ ] |

Have you submitted an exclusion request in a previous letter?Yes

HTS number(s) covering the product requested for exclusion:

7223.00.1030
7223.00.1045

Detailed description of product requested for exclusion (please do not only refer to the model number):

Stainless Steel Wire for use as surgical needles. [ ]
Complete product specifications are attached hereto.

Quantity (in short tons) of U.S. imports of product requested for exclusion:

| Source | 1996 | 1997 | 1998 | 1999 | 2000 | Jan.-June 2000 | Jan.-June 2001 |
|---|---|---|---|---|---|---|---|
| Canada | | | | | | | |
| Mexico | | | | | | | |
| All others | 34.0 | 11.0 | 20.0 | * | 18.0 | * | 11.0 |
| Total | 34.0 | 11.0 | 20.0 | * | 18.0 | * | 11.0 |

Value (landed, duty-paid in U.S. dollars) of U.S. imports of product requested for exclusion:

| Source | 1996 | 1997 | 1998 | 1999 | 2000 | Jan.-June 2000 | Jan.-June 2001 |
|---|---|---|---|---|---|---|---|
| Canada | | | | | | | |
| Mexico | | | | | | | |
| All others | 1,313,500 | 592,000 | 785,500 | 258,000 | 681,000 | 200,000 | 396,000 |
| Total | 1,313,500 | 592,000 | 785,500 | 258,000 | 681,000 | 200,000 | 396,000 |

Estimated quantity (in short tons) of U.S. producers' U.S. commercial shipments (not including internal consumption or exports) of product requested for exclusion (please indicate basis for estimates):

| Source | 1996 | 1997 | 1998 | 1999 | 2000 | Jan.-June 2000 | Jan.-June 2001 |
|---|---|---|---|---|---|---|---|
| Total | 35.0 | 11.0 | 21.0 | * | 18.5 | * | 11.0 |

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**RANGED DATA**

**THESE DOCUMENTS ARE INCAPABLE OF PUBLIC SUMMARY**

# EXHIBIT 2

# B. G. Sulzle, Inc.

SURGICAL NEEDLE MANUFACTURER

TÜV PRODUCT SERVICE Quality system certified to EN ISO 9001

November 13, 2001

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Subject: Steel Section 201 Investigation

Dear Ambassador Zoellick:

My name is David Sheridan and I am the Director of Purchasing at B.G. Sulzle, the world's largest independent producer of drilled-end surgical needles. We produce more than 260 variations of drilled-end surgical needles and over 4,500 products in all. To make our needles, we use primarily 420F stainless steel needle wire. We are writing this letter to ask you to exclude Sandvik's stainless steel needle wire from any import relief recommendations to the President in the section 201 investigation regarding steel because we have been unable to qualify a domestic manufacturer of 420F grade stainless steel needle wire.

Drilled-end surgical needles are used to manufacture surgical sutures used in sensitive and high-risk surgical procedures. The wire used to manufacture drilled-end needles must be of the finest quality so that the needle may withstand the procedure and not break, bend or cause additional tissue trauma. We have been purchasing 420F needle wire from Sandvik for 20 years because they have consistently been able to meet our specifications. This grade of needle wire is simply not produced to our specification in the United States. To date, all attempts to qualify domestic producers have failed. We are currently attempting to qualify a U.S. producer that has made an alloy that is similar to 402F, but it typically takes more than five years for this qualification process. We therefore must rely exclusively on foreign products such as Sandvik's 420F grade to manufacture our drilled-end needles.

Because it is of the utmost importance that we be able to import Sandvik's needle wire to make a product upon which the medical industry can safely rely, we are requesting that you exclude Sandvik's needle wire product from any import relief recommendations to the President. We believe that any import restrictions will result a competitive disadvantage for B.G. Sulzle.

Please do not hesitate to contact me at (315) 703-6115 should you wish to discuss this matter in greater detail.

Sincerely,

David Sheridan

*A Family Owned Business Since 1945*
1 NEEDLE LANE · N. SYRACUSE, NY 13212-4099 · TELEPHONE (315) 454-3221 · FAX (315) 454-9879

# EXHIBIT 3

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

PUBLIC VERSION
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*STEEL*, Inv. No. TA-201-73

## EXCLUSION REQUEST DATA SHEET

If you are interested in requesting that specific products be excluded from this investigation, please supply the following information to the Commission by no later than Wednesday, October 17, 2001. Complete a separate exclusion request form for every product you are requesting an exclusion for. You may fax the completed form to the attention of D.J. Na at 202-205-3205.

| | |
|---|---|
| Firm: Sandvik Steel Co | Fax #: [ ] |
| Contact person: [ ] | Email address: [ ] |
| Have you submitted an exclusion request in a previous letter? | |
| HTS number(s) covering the product requested for exclusion:<br><br>7223.00.5000 | |
| Detailed description of product requested for exclusion (please do not only refer to the model number):<br><br>**Stainless Steel Flat wire for use as automotive expanders.** Complete product specifications are attached hereto. | |

Quantity (in short tons) of U.S. imports of product requested for exclusion:

| Source | 1996 | 1997 | 1998 | 1999 | 2000 | Jan.-June 2000 | Jan.-June 2001 |
|---|---|---|---|---|---|---|---|
| Canada | | | | | | | |
| Mexico | | | | | | | |
| All others | 240.0 | 260.0 | 273.0 | 192.0 | 188.0 | 92.0 | 78.0 |
| Total | 240.0 | 260.0 | 273.0 | 192.0 | 188.0 | 92.0 | 78.0 |

Value (landed, duty-paid in U.S. dollars) of U.S. imports of product requested for exclusion:

| Source | 1996 | 1997 | 1998 | 1999 | 2000 | Jan.-June 2000 | Jan.-June 2001 |
|---|---|---|---|---|---|---|---|
| Canada | | | | | | | |
| Mexico | | | | | | | |
| All others | 1,235,000 | 1,230,000 | 1,380,000 | 981,000 | 971,000 | 446,000 | 398,000 |
| Total | 1,235,000 | 1,230,000 | 1,380,000 | 981,000 | 971,000 | 446,000 | 398,000 |

Estimated quantity (in short tons) of U.S. producers' U.S. commercial shipments (not including internal consumption or exports) of product requested for exclusion (please indicate basis for estimates):

| Source | 1996 | 1997 | 1998 | 1999 | 2000 | Jan.-June 2000 | Jan.-June 2001 |
|---|---|---|---|---|---|---|---|
| Total | 240.0 | 260.0 | 275.0 | 192.0 | 186.0 | 92.0 | 76.0 |

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RANGED DATA

**THESE DOCUMENTS ARE INCAPABLE OF PUBLIC SUMMARY**

# EXHIBIT 4

DANA PERFECT CIRCLE DIVISION

November 7, 2001

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Subject: Section 201 Trade Case

Dear Ambassador Zoellick:

- Thank you for the opportunity to present our position with regard to the Section 201 Trade Case on steel imports. Previously, I appeared before the Commission on September 25, 2001. I understand that because of time limits imposed on requests to exclude products, only written requests will be accepted.

- I represent Dana Corporation. We are headquartered out of Toledo, Ohio and have been doing business since 1911. We employ over 60,000 employees in North America and operate over 175 manufacturing facilities. Our primary products are used "under the hood" and "under the vehicle" and are sold to the transportation industry, including such customers as: General Motors, Ford Motor Company, Daimler – Chrysler, Caterpillar, J. Deere, and Mack Truck. Our sales volume of over $10.5 billion makes us one of the largest independent suppliers to the U.S. vehicular industry. We are very concerned with the potential impact that tariffs or quotas may have on our business.

- Our Division, Perfect Circle, is headquartered in Muskegon, Michigan and produces piston rings, cylinder liners, and camshafts. We import stainless steel flat wire from Japan and Sweden as a raw material for use in our piston ring product line. Being a supplier to the original equipment manufacturers (OEM) requires us to satisfy some very stringent quality requirements demanded by the customer. Many of these have to do with the quality of the incoming steel wire.

- We have been purchasing our stainless flat steel from Sweden and Japan since 1994. Prior to that time, we were buying from a domestic producer (Allegheny-Ludlum) whose work stoppage (labor strike) in March 1994 almost caused us to miss customer shipments. This event forced us to make a sourcing change. We began purchasing our material from Sandvik Steel, Garphyttan Wire, and Hitachi Metals. All of these suppliers used a "roll formed" manufacturing process which compared favorably to the "slit" process of Allegheny, because the new process offered us a better quality product. In addition, the weight of the coil sizes increased from approx. 180 lbs to over 500 lbs., giving us improved productivity by reducing the number of changeovers required.

- We understand that counsel for Carpenter Technologies has told the ITC that Zapp and Charter Wire make this product. This is not true. All of our current business has been validated and approved by our customers using the stainless flat wire produced by our

Ripple Finding of Better Way

offshore suppliers. To gain approval of a new source such as Zapp or Charter Wire, we would have to go through a rather extensive testing and approval process demanded by our customers. In fact, in January 1999, I was part of an audit team that visited Zapp USA in their new facility in South Carolina for the express purpose of having them gain a share of this product. We felt it would benefit from shorter lead times to have an approved domestic producer. Quotes from Zapp indicated that their prices were essentially equal to that of the offshore supplier. Moreover, Zapp's material is made from wire made in Europe, not the United States. Subsequently, efforts to have them become qualified by way of a series of approved samples was never accomplished. Charter Wire has never approached us with any interest in our business, and we were not even aware that Charter Wire was a producer. We have no reason to believe CarTech's assertion that Charter Wire makes this product.

- Given the current economic conditions with our customers, we continue to be under extreme pressure to reduce costs year after year. Any tariff increase imposed upon us as a parts manufacturer will only further deteriorate our already weak profit margins. Additionally, the time necessary to qualify a new supplier can take from 12 –18 months. At this time, we have no approved alternative U.S. or offshore suppliers.

Best Regards,

James Toppen

D. James Toppen
Divisional Purchasing Manager
Perfect Circle Dana