



A DIVISION OF PHILIPS ELECTRONICS NORTH AMERICA CORPORATION

ADVANCE TRANSFORMER COMPANY

International Trade Commission Hearing on “ Steel Consuming Industries: Competitive Conditions with respect to Steel Safeguard Measures” June 19, 2003

Investigation #332-452

Advance Transformer Company urges a swift end to the Section 201 foreign steel tariffs. The tariffs have severely harmed Advance by causing severe disruptions in steel supplies, double digit increases in steel prices, and substantial market share losses to our competitors, who manufacture nearly all of their products outside the United States.

Advance Transformer Company, a division of Philips Electronics, headquartered in Rosemont, Illinois, is the market leader in manufacturing and sales of electronic and electromagnetic ballasts for fluorescent and High Intensity Discharge lamps. Advance employs 400 people in its Rosemont headquarters, and operates three U.S. factories employing 450 in Boscobel, WI, 175 in Monroe, WI and 20 in Chicago. Advance also operates manufacturing facilities in Mexico and is a sister company to other Philips Electronics ballast businesses that manufacture in Asia, Europe and South America. North American sales approximate \$500 million annually.

The 201 tariffs created severe supply disruption.

Advance purchases 60,000 tons of steel annually, nearly all of which is purchased from multiple domestic steel producers. Advance typically negotiates annual contracts with these suppliers that cover a calendar year. The terms of the contracts set prices and expectations for quantities to be delivered and other performance standards. Historically, throughout our 50 year history in the US, this arrangement has been beneficial, and only rarely has any supplier missed a delivery date. All this changed dramatically beginning July 2002. Two of our suppliers, including our largest, routinely missed scheduled deliveries of substantial quantities of steel. In some weeks, less than 70% of steel ordered was received (see attachment). This disruption continued until the end of the year, when Advance began purchasing steel at the higher prices that went into effect in 2003.

I believe that the 201 Action created such a substantial increase in demand for domestic steel, that our suppliers could not meet it all. Rather than deliver steel to Advance at a price negotiated prior to the 201 Action, these manufacturers chose to sell to those who would pay the price commanded in a protected market.

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The 201 has led to substantial steel price increases which in turn have been the direct cause of substantial lost business for Advance.

Steel represents 30% of material costs for electromagnetic ballasts. Our steel contracts beginning January 2003 carried an average price increase of 12%. In turn, Advance increased its prices to customers and immediately experienced a drop of 18% in its electromagnetic ballast sales. This occurred because our competitors manufacture nearly all their product outside the U.S. Already they enjoy substantially lower labor costs than Advance. They now have the additional benefit of purchasing steel at lower prices, undistorted by the 201 tariffs.

The 201 puts at risk the 600 manufacturing jobs in Advance's three United States factories.

Advance is the market leader in its product line because it successfully responds and adjusts to marketplace demands and challenges. An 18% loss in market share is not an acceptable situation when a remedy is available, as it is in our case. Advance must be able to obtain steel at globally competitive prices, and can do so by relocating its U.S. manufacturing to existing Philips facilities in Central or South America, Asia or Europe. Advance can import to the U.S. finished products made in most of those locations with no tariff.

In December of last year, Advance closed its magnetic ballast assembly operations in Monroe, Wisconsin and moved production outside the country. Our parent company, Philips, is now building HID ballast manufacturing capability in China. A decision to utilize that facility to manufacture for the US market or dedicate it to other markets is pending and depends in large measure on the price of steel in the US relative to China.

The 201 Tariff reduces demand for domestic steel

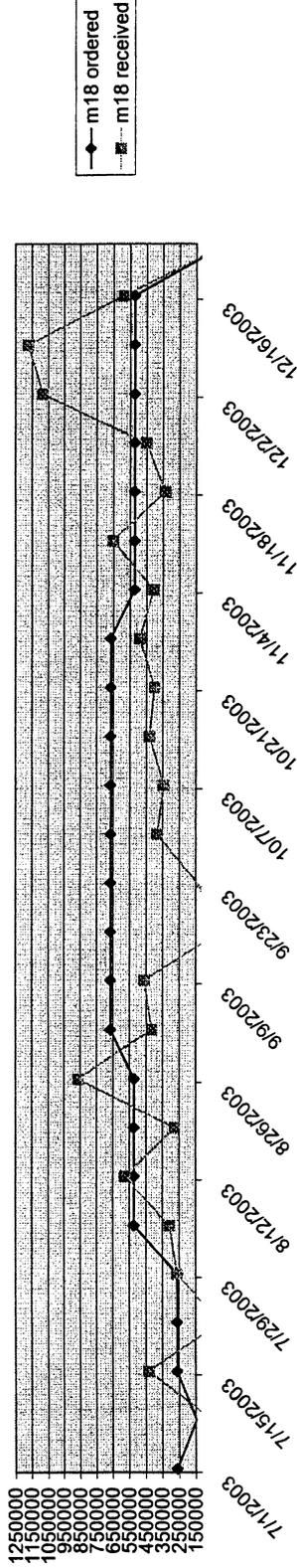
The 201 tariff has led directly to reduced demand for domestic steel by Advance Transformer for its electromagnetic ballast product line. As a result of lost business, we will reduce our steel purchases for our electromagnetic business by an estimated 3,877 short tons, valued at about \$2,200,000.00. Our decision as to whether to move production to China is dependant in large measure upon whether we can purchase US steel at global prices in the near future. A continuation of the 201 tariffs could have the perverse effect of driving our manufacturing overseas and our steel purchases to foreign suppliers. Americans employed by Advance and its US steel suppliers would face the economic dislocation of lost jobs directly as a result of US government policy.

Thank you for your consideration of our views.



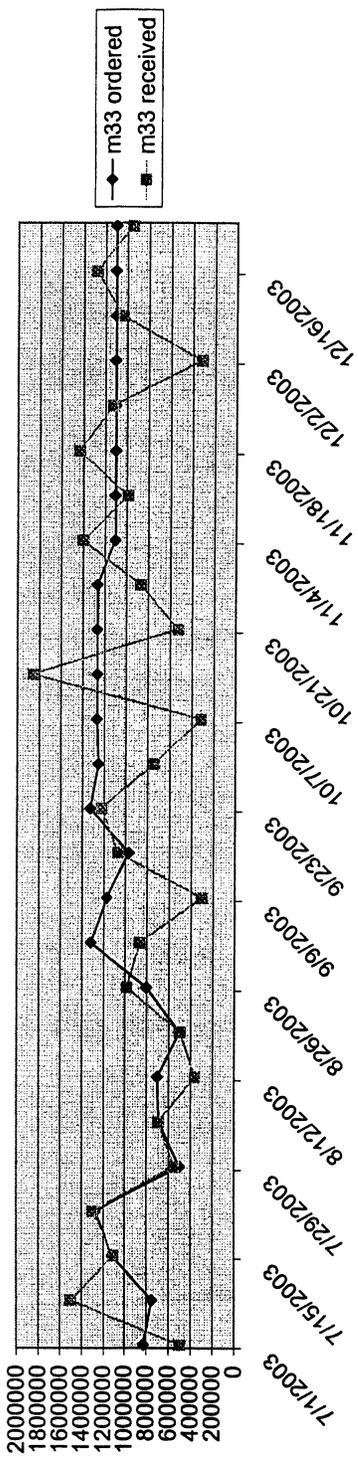
Brian Dundon
President & CEO
Advance Transformer Company

Steel on Order



	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug	2-Sep	9-Sep	16-Sep	23-Sep
m18 ordere	260000	145,000	260,000	260000	260,000	520,000	520,000	520,000	520,000	664,000	664,000	664,000	664,000
m18 receive	46750	45,000	429,930	0	261,350	306,960	574,890	275,020	860,000	414,660	459,140	-	137,820
	30-Sep	7-Oct	14-Oct	21-Oct	28-Oct	4-Nov	11-Nov	18-Nov	25-Nov	2-Dec	9-Dec	16-Dec	23-Dec
m18 ordere	664,000	664,000	664,000	664,000	664,000	520,000	520,000	520,000	520,000	520,000	520,000	520,000	-
m18 receive	382,240	343,670	427,440	398,300	487,370	404,390	649,600	335,580	449,080	1,081,920	1,170,090	584,980	-

Steel on Order



Date	m33 ordered	m33 received
1-Jul	824,000	496,120
8-Jul	750,000	1,500,000
15-Jul	1,111,000	1,097,450
22-Jul	1,275,000	1,297,335
29-Jul	500,000	548,370
5-Aug	687,270	690,560
12-Aug	700,000	359,015
19-Aug	500,000	497,935
26-Aug	800,000	979,670
2-Sep	1,316,000	859,329
9-Sep	1,166,000	298,655
16-Sep	966,000	1,062,540
23-Sep	1,326,000	1,218,840
30-Sep	1,251,000	736,509
7-Oct	1,266,000	314,230
14-Oct	1,266,000	1,853,969
21-Oct	1,266,000	522,655
28-Oct	1,266,001	865,645
4-Nov	1,100,000	1,397,595
11-Nov	1,100,000	985,810
18-Nov	1,100,000	1,433,150
25-Nov	1,100,000	1,123,685
2-Dec	1,100,000	314,435
9-Dec	1,100,000	1,033,855
16-Dec	1,100,000	1,277,940
23-Dec	1,100,000	947,020