TESTIMONY OF JOHN BARDEN

ON BEHALF OF

THOMAS STEEL STRIP

United States International Trade Commission Inv. No. 332-452

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Good afternoon. My name is John Barden, Director of Battery Sales for Thomas Steel Strip ("TSS"). TSS is a specialty steel company located in Warren, Ohio. I am here primarily to discuss the effect of the 201 safeguards and lack of an important exclusion, on the household battery industry. And I also want to say a word about the effects on TSS's business as a whole.

HISTORY

Thomas Steel Strip has long been a supplier to the household battery industry, and this is one of our most important product lines. TSS obtains Battery Quality Hot Band ("BQHB") from Corus/Ijmuiden in the Netherlands. We then process the BQHB into nickel-plated steel strip, which we supply to battery manufacturers. We count Rayovac, Eveready, and Duracell among our most important customers. We have supplied these battery companies for over 20 years. This relationship has extended through several ownership changes, not only at TSS, but the plant in Ijmuiden as well. These companies count on TSS to supply the material for their battery cans on a consistent cost-effective basis season after season, year after year. These batteries are used in everything from flashlights to calculators to children's toys.

BQHB

BQHB is a very specialized product. It is a hot rolled, continuously cast flat-rolled product in coils; manufactured using an electro magnetic brake; ultra-clean with non-metallic inclusions not greater than 5 microns in length (as measured in the hot-rolled state). After importation, BQHB is manufactured into cold-rolled, nickel-plated steel strip at TSS and then drawn into cans and other components which are used in the manufacturing of batteries. Any imperfection in the steel will cause small pinholes in the can. This will cause the battery to leak. I do not think I have to explain the consequences of leaking battery acid in a children's toy. The steel cleanliness standards are not speciously designed to improperly exclude some steel companies from the market. They have been developed and modified over a number of years and they are for the health and safety of the consuming public. This cleanliness is critical and is of paramount concern to our customers.

There is no qualified domestic supplier of BQHB. The only manufacturer of BQHB qualified by both Eveready and Duracell is the Dutch company, Corus Staal BV. Corus Staal has been TSS's supplier of BQHB for 20 years with no interruption. Because of the exacting standards for battery casings, TSS's customers must be able to rely consistently on TSS's nickel-plated steel, which they can only do when TSS can rely on its BQHB supply.

Accordingly, we sought an exclusion for BQHB and were surprised when U.S. producers vigorously opposed our request. I say surprised, because over the years, no domestic supplier has been willing or able to meet our needs for BQHB. When TSS has probed domestic mills on exactly what they can provide, the questions are either ignored,

or the answers are not satisfactory. Most recently, a formal inquiry by TSS to U.S. Steel in March has gone unanswered. In fact, the only time in recent memory that the domestic steel industry has expressed any interest in supplying this product was in the exclusion objections. And this expression of interest ended when the decision on the exclusion request -- to grant us less than half the volume we need -- was made.

The nature of the U.S. producers' objections was particularly troubling. Unable to contend that they make BQHB, the domestic producers asserted that they make a "virtually identical" product. That assertion is both wrong and irrelevant. The battery manufacturers require adherence to exact specifications, not specifications that a manufacturer of other unrelated steel products avers are "virtually identical". Contrary to the domestic steel industry's position that there are adequate substitutes, our battery producing customers are very clear that there is no substitute for the ultra clean hot band. This argument got pretty silly. Certain domestic mills went so far as to claim that steel made for food cans can be a substitute for battery-quality steel. No so. The corrosive contents of batteries make the comparison entirely invalid. You just can't use the same steel to enclose a battery as you can to package green beans. The result would be disastrous. . In addition to that, the preferred method of manufacturing food cans is by a "drawn & ironed" process. This process reduces the can sidewall thickness by "ironing" or squeezing the sidewall to reduce the thickness. This elongates the sidewall. This compressive action actually can "hide" internal defects in the steel. Battery cans, on the other hand, are predominately made by a "draw/redraw" process. This method "pulls" the steel down into the tool, thus creating the can sidewall. This "draw/redraw" manufacturing method puts the steel under tensile stress, or a stretching action. The

mechanical and physical properties of the steel required are different for both methods. But more importantly, the cleanliness of the steel is much more critical for the "draw/redraw" process used to make battery cans.

The domestic mills also argued that the cleanliness standards are unwarranted, and that in no steel company can meet the battery companies' standard. However, we submitted to the Department of Commerce the independent tests that verified that Corus BQHB does meet the battery industry's cleanliness specifications.

I want to make it clear that we do not oppose U.S. production of BQHB. To the contrary, TSS and the battery manufacturers have on several occasions in the past attempted to qualify a domestic supplier. In each case, the domestic supplier failed the cleanliness requirements. No U.S. supplier is currently seeking to qualify, despite our written invitation to do so.

Not only is there no qualified domestic supplier of BQHB, there is no alternate domestic supply of battery steel made from BQHB. However, offshore competition in the end-product -- the battery -- continues and continues to eat into the profitability of U.S. battery manufacturers. The section 201 duty on BQHB is 24%. But the duty on imported finished batteries is a mere 2.7%. The US battery industry is a global leader in the production of alkaline batteries. The 201 safeguards put that in jeopardy. At a time when the Department of Homeland Security is encouraging the public to have batteries on hand in the event of terrorist attacks, it is ironic that the US government is inadvertently hampering the manufacture of those batteries.

In summary, the domestic industry has never included BQHB in the array of steels that they offer or wish to offer. Therefore, an exclusion of BQHB cannot injure the

domestic industry. Nor can imposing the 201 tariffs on a product they are not interested I making aid the domestic steel industry. And without a consistent, uncompromised adherence to cleanliness standards and a sufficient volume of BQHB, which TSS has received from Corus, the alkaline battery industry will be, and indeed has been, injured.

The effect of the 201 tariffs on TSS has been a decreased profitability. We have long-term price contracts with our customers, so we cannot pass on increased supply costs. As a result, we are caught in a price squeeze from which we cannot extricate ourselves. Relief from the 201 safeguards is the only way we can safely, adequately, consistently, and profitably meet demand.

DOMESTIC SUPPLY

TSS makes steel for uses other than batteries, and in many areas TSS purchases steel from domestic suppliers. But the 201 safeguards have left TSS in unfortunate situations. Since the imposition of the 201 safeguards, domestic steel mills have had longer lead times when supplying steel to TSS. The domestic steel mills have placed certain steel on allocation at certain times. Moreover, the domestic steel manufacturers have abrogated contracts to take advantage of the price increase that they initiated in 2002. Since the inception of 201 tariff relief, the domestic price increased as much as $110 per short ton. Because TSS works on a contract basis with our customers, we were unable to pass on those increases. This has reduced TSS's profitability. In the present 201 environment, TSS simply cannot count on the prices or supply offered by the domestic industry. This affects not only TSS's commitments in non-BQHB applications; it also raises a red-flag concerning the domestic industry's claim that it can supply BQHB. How can the domestic industry supply adequate amounts of a product that it

does not currently make, when it cannot even deliver product that is already in its product line?

Thank you.