

TESTIMONY OF DANIEL COSIO

Good Afternoon. My name is Dan Cosio. I am the Director of Metal Supply -- Packaging Operations for Ball Packaging Company, which is a subsidiary of the Ball Corporation. I have been involved in the steel industry, including the purchase and sale of tin mill products, since 1996. I have been with Ball since 2007, and have served as Ball's Director of Metal Supply since August, 2010. In that capacity, I am responsible for Ball's steel sourcing for all steel packaging produced in the United States.

You probably know the Ball name and our logo from the glass canning jars that many of us grew up with. Although Ball no longer owns the company that produces those jars, the steel products we make are probably in your kitchen pantries and are certainly on the shelves of the grocery stores that you visit every week. Ball produces the steel cans and ends that contain many of the brands of canned fruit, vegetables, infant formula, dietary supplements, soup, seafood and pet foods that you buy. We are America's largest manufacturer of aerosol containers, and we may well have produced the can that holds the hairspray or deodorant that you used this morning. We also manufacture steel cans for paint and general line uses, as well as specialty tins that may hold your Christmas cookies or other specially packaged goods.

Ball employs approximately 14,500 employees worldwide. About 9,200 of those workers are in the United States, including some 2,200 employees manufacturing steel cans in our U.S. steel packaging plants located in nine states. Ball is one of the largest purchasers of tin mill steel in the United States.

Ball requested the opportunity to appear before the Commission today not because we expect to purchase large quantities of Japanese tin mill steel. That is not the case, for reasons I will explain. But we are here today, in all candor, because we would like to be able to add the Japanese companies to our list of possible suppliers. That list has been shrinking. We need more options, especially for our more demanding specifications. We are also here today because we know that this Commission has often been called upon by our domestic suppliers to make decisions that have an important impact on our business. We appreciate any opportunity to help you develop an accurate picture of our industry, especially given the "suggestions" often made by our domestic suppliers that they may seek additional restrictions on our non- U.S. supply sources.

As I am sure you will appreciate, Ball has longstanding and robust commercial relationships with our domestic suppliers of tin mill products. Two of our plants are sited on ArcelorMittal's property in Weirton, West Virginia and a number of the others are located proximate to the mills which produce tin mill steel. In addition to our two West Virginia plants utilizing tin mill steel, we have

production facilities in California, Ohio, Maryland, Tennessee, Arkansas, Wisconsin, Pennsylvania and Illinois.

The health and prosperity of the U.S. tin mill industry is important to Ball. We depend heavily upon our U.S. tin mill steel suppliers, and our operations depend on the availability of tin plate from nearby domestic mills. Let me explain.

As the data that you gathered from U.S. can producers demonstrates, the U.S. can industry consistently sources 80 percent or more of tin mill supply from the same domestic suppliers you heard from this morning. If you include Canadian supply, now affiliated with a U.S. producer, that percentage moves even higher. As you know from our questionnaire response, Ball purchases the majority of our tin mill steel needs from our domestic suppliers. In 2011, of our hundreds of tin mill steel specifications, only 60 were sourced from non-U.S. suppliers. This is true even though our foreign suppliers are able to produce all of the specifications that we use.

There are several reasons that a domestic can producer would want to limit its exposure to foreign sourcing.

First, there are inherent risks to us in sourcing from abroad that do not exist when dealing with our domestic suppliers. Last year, for example, a vessel carrying a shipment of coils we had ordered from abroad was caught in rough seas. A

number of the coils sustained damage, which rendered some of them unusable. As you can imagine, an event like this is disruptive to the efficiency of our operations.

Second, for some specifications where it is important to have more flexibility in delivery schedules and shorter lead times, our domestic suppliers can be responsive to changing needs. Every month, we have customers making changes to their requirements that, in turn, result in us changing our metal orders to our suppliers. An example is a customer who asked for a different can, with different material specifications, within a month of their delivery date. To accommodate this, we had to change our metal order, with only about two weeks notice. Our domestic supplier could do this. If we had been using an offshore supplier, the metal would have already been on the water.

Third, a fundamental fact is that, in any event, foreign suppliers have limited their participation in the U.S. market. Some of them now have U.S. affiliates from which they prefer to serve most U.S. customers. Many of them have good markets closer to home. In some cases, off-shore suppliers prefer the quarterly pricing arrangements for tin mill products that they can obtain in other markets as compared to the annual contracts that we use here. Given these factors, along with threats of new trade cases, off-shore suppliers simply prefer to limit their involvement with U.S. buyers.

Nevertheless, there are good reasons we continue to source some of our tin mill products from abroad. For example, there are some specifications that our U.S. suppliers do not produce, or for which they have been unable to qualify or to maintain qualification. For those products, we have no choice but to source from abroad. For example, our Findlay, Ohio plant requires a wide steel that we use for our drawn and ironed or "D&I" production of two piece food cans. Although we have used this wide coil for many years, no U.S. mill produces a D&I product of the necessary width. We source this product from non-U.S. suppliers. Similarly, our Milwaukee plant also uses a wide D&I steel, although less wide than the coils used in Findlay, for which no U.S. supplier has been able to maintain a qualification. We also source that steel from foreign suppliers. The majority of the tin mill steel that Ball imports each year, on a volume basis, is for specifications not produced by domestic mills, or for which our domestic suppliers have been unable to qualify or to maintain qualification.

Second, if you have visited a can manufacturing facility, you know that we cannot efficiently produce cans unless we have a constant supply of qualified coils. Steel cans cannot be made from anything else. A production disruption at any of Ball's domestic suppliers can result in a negative impact on our ability to serve our own customers in a timely manner. For this reason, Ball endeavors to maintain more than one qualified supplier for each of its specifications at every plant. We

cannot responsibly limit ourselves to a single supplier, and sometimes offshore suppliers provide the best option for alternative supply.

Finally, I recognize that the Commission's job today is to look into its crystal ball and predict the potential effects of lifting the order on Japanese tin mill steel. I would like to make three brief comments on that score.

First, Ball purchased very little from Japanese producers prior to the time this action was taken against Japanese steel, and we are unlikely to purchase significant quantities if the order is revoked. From Ball's perspective, the opportunity to speak with Japanese suppliers would principally mean the possibility of an additional qualified source of steel for our D&I applications, which is very difficult to get domestically.

Second, the Commission should also recognize that there is another important reason that Ball's tin mill steel purchases from Japan would likely be limited. The cost of the inland transportation to move the product from the port to most of our plants would make the delivered cost less attractive. Third, we believe that the Commission should look closely at the fact that can companies over time have consistently sourced an overwhelming share of their tin mill steel from domestic suppliers, and even more from North America as a whole. There is no reason to believe that this would change or that Japanese suppliers, even if they

were interested in serving the U.S. market, would serve a role different from any of our other foreign suppliers.

Finally, we would ask the Commission to take into account the fact that the U.S. tin mill industry has had protection – complete protection – from Japanese imports for more than twelve years, as well as a period of protection from all imports under Section 201. During this time, domestic producers have made limited investment in upgrading their facilities to create products that are consistently on-spec or to produce products that we need today. The U.S. industry's reject rates are substantially above those of our non-U.S. suppliers. Under these circumstances, it seems particularly inappropriate to continue to deny U.S. can producers at least the opportunity to discuss obtaining access to limited supplies of high quality tin mill steel from Japan. We respectfully submit that the Commission should allow this dumping order to sunset.

Thank you for the opportunity to appear here today. I look forward to answering your questions.