

Public Version

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Via Hand Delivery and E-mail

May 31, 2017

Brad Botwin,
Director, Industrial Studies
Office of Technology Evaluation,
Bureau of Industry and Security
U.S. Department of Commerce,
Room 1093
1401 Constitution Avenue
NW., Washington, DC 20230
e-mail: Steel232@bis.doc.gov

Re: Silgan Containers' Section 232 Investigation Comments

Dear Director Botwin:

On behalf of Silgan Containers, enclosed please find Section 232 investigation comments on the possible effects on the U.S. national security of imports of steel.

These comments are submitted pursuant to the invitation for comments set forth in the Commerce Department's *Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel* that was published in the Federal Register on April 26, 2017.

Silgan Containers appreciates the opportunity to provide these comments.

Please note that the enclosed is the *public version* of Silgan's comments. In the public version, Silgan's business confidential information in brackets has been deleted. I hereby confirm that the deleted business confidential information consists of trade secrets or other business confidential information that is not publicly available and therefore is exempt from public disclosure pursuant to 15 C.F.R. 705.6 and 5 U.S.C. 552(b)(4). Accordingly, I request that the confidential version of the enclosed comments be exempt from public disclosure.

I also note that the confidential version of the enclosed comment is being hand delivered, while we are submitting the attached public version by both E-mail and hand delivery.

Please to not hesitate to contact me should you have any questions.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daniel M. Carson".
Daniel M. Carson

**BEFORE THE UNITED STATES COMMERCE DEPARTMENT
BUREAU OF INDUSTRY AND SECURITY**

In the Matter of

Public Version

STEEL IMPORTS

Investigation conducted under Section 232 of
the Trade Expansion Act of 1962, as amended

**SECTION 232 INVESTIGATION COMMENTS OF
SILGAN CONTAINERS**

Michael Arena
Vice President for Logistics and Operations Support
Silgan Containers

May 31, 2017

Declaration of Michael Arena

I, Michael Arena, hereby declare and affirm as follows:

1. My name is Michael Arena and I am the Vice President for Logistics and Operations Support for Silgan Containers.
2. Silgan is the largest provider of metal food packaging in the United States. Silgan and its sister companies have 56 manufacturing plants located throughout the United States. Silgan and its sister companies employ more than 6,500 American workers in high paying manufacturing jobs throughout the United States, including multiple facilities located in the so-called rust belt.
3. Although Silgan officially became a company in 1987, Silgan traces its history back to 1899 when the Carnation Company began making its evaporated milk cans. Today, Silgan is the largest manufacturer of tin cans in the United States.
4. Such facts are important because, as the U.S. largest manufacturer of tin cans in the United States, Silgan is the largest U.S. purchaser of tin mill steel. “Tin mill steel” is a special type of steel that is dedicated primarily to making tin cans. Importantly, tin mill steel is recognized by the American Iron and Steel Institute as a separate defined category of steel mill products. Likewise, the Commerce Department and the International Trade Commission have also recognized that tin mill steel is a separate category of steel requiring its own examination and analysis.

Tin Mill Steel Is Not Used for Defense or National Security Purposes

5. As the largest single U.S. purchaser of tin mill steel, Silgan knows quite well all about the production and consumption of tin mill steel. And therefore I can state unequivocally that tin mill steel is not purchased in substantial quantities by either the Defense Department or any other national security agency.
6. Tin mill steel products are distinct steel products used for a dedicated purpose, namely the production of steel cans used as packaging and preserving for a variety of products, but primarily food. As the Can Manufacturer’s Institute (CMI) noted at the Section 232 hearing:

“the vast majority of steel cans that we manufacture are used for canned food, which offers an affordable solution in feeding our country. Access to affordable nutrition is vital for the 42 M Americans that live in food insecure households, including 13 M children.”
7. I recognize that the Department may also evaluate the effects of imports on the overall strength of the U.S. steel industry as a potential national security concern.

However, such concerns should be put in a proper context which includes consideration of the role of each product category in the health of the industry, the effects of restrictions on any product category on the downstream consuming industry, and the overall effects of steel trade restrictions on the competitiveness of steel consuming industries both in the United States and in export markets.

8. As regards to tin mill steel products, they account for a tiny portion of U.S. steel production.¹ According to the U.S. International Trade Commission, the industry producing tin mill steel products employs only 2,900 workers.² The size of the industry producing tin mill steel products is too small to have any meaningful effect on the health of the overall industry and will neither contribute to nor detract from the strength of the overall steel industry.

9. Finally, as will be discussed in more detail in the next section of this statement, further protection of the U.S. tin mill steel products industry will almost certainly lead to a radical reduction of the consumption of tin mill steel products and with this reduction an accompanying reduction in the size of the industry producing tin mill steel products. Demand for tin can is under constant pressure from alternatives, such as plastics, paperboard and aluminum. Additional protection means additional costs and additional costs means declining competitiveness. Protection of the domestic tin mill steel producers is likely to shrink (and eventually eliminate) the market for steel cans and with it the market for tin mill products.

Additional Protection of the Industry Producing Tin Mill Steel Products Will Severely Harm Both the Producers of Tin Mill Steel and the Consuming Industry

10. The main purpose of my statement is to ensure that the decision-makers in this investigation understand the cascading effects of import relief on my industry. Of course, I hope that this understanding carries over to other steel consuming industries, but in the case of the industry using tin mill steel products, increased protection could radically reduce the size of the industry and ultimately lead to its disappearance in the United States.

11. To be blunt, misguided protection of the industry producing tin mill steel products could lead to both a reduction in high paying jobs in the steel industry and also of high paying manufacturing jobs in the industry making cans. Preserving the 2,900 jobs in the industry producing tin mill steel products (the number of jobs which the most recent report by the U.S. International Trade Commission found in the industry) is

¹ *Tin- and Chromium-Coated Steel Sheet from Japan, Investigation No. 731-TA-860 (Second Review)*, Publication 4325, U.S. International Trade Commission at c-3 (May 2012). Table III-2.

² *Id.* at c-3.

impossible without also preserving the jobs in the can producing industry since all of the demand for tin mill steel products depends on demand from the can producers.

12. Silgan alone employs more people in making steel cans than the U.S. steel industry employs in producing tin mill steel products to make those cans. Extrapolating based on market share, the producers of steel cans probably account for four times as many American jobs as do the producers of tin mill steel products. Thus, if additional protection is given to tin mill steel products roughly 15,000 or more U.S. jobs could be affected, most of them in the can producing industry.

Effects of Protection on Price and Its Implications

13. Demand for tin can is under constant pressure from alternatives, such as plastics, paperboard and aluminum. American can producers are already paying a premium of 10-15% for tin mill steel compared to what foreign can producers pay for their tin mill steel. More protection will inevitably mean even higher prices for U.S. market tin mill steel which will, in turn, accelerate the loss of demand for steel cans. Any loss of demand for steel cans inevitably means jobs will be lost in both the U.S. tin mill steel producing sector and the can producing sector. In other words, increased protection will mean the loss of potentially thousands of high paying U.S. manufacturing jobs.

14. The Department should be aware there will be a cost to protection of the tin mill steel producing industry. The cost will come in various forms, but the bottom line is that more expensive tin mill steel will erode the market for steel cans. This might initially take the form of importing more parts for cans, such as “ends” (lids) that are already being imported. Eventually, however, the result will be replacement of most steel cans with other forms of packaging and containers. While normally protection for one industry (e.g. steel) results in a loss of competitiveness in another industry (and a request by that industry for protection), in tin mill products the loss will be shared by both the steel and the can producing industries.

Importance of Timing and Quality of Supply

15. While the effects of further import restrictions on price is an important factor, performance by the supplying mill and the quality of the product supplied are equally, if not more, important. If Silgan does not get its tin mill steel products on time, it cannot supply the cans to its customers on time. This not only affects the efficiency of the operations of both Silgan and its customers, but in the case of perishable food products translates into greater waste and higher costs for Silgan’s customers. Similarly, poor product quality can affect efficiency, yield, and the ability of Silgan to satisfy its customers’ quality requirements.

16. Let me give concrete illustrations of the problems we face. Silgan’s [] on-time delivery record with Silgan is less

that [], despite incentives in the contract with the supplier to encourage on time delivery. In 2016, [] was unable to deliver the []. The shortfall was over [] of the total contract amount. The []

].³

17. Often the steel we receive has significant shape problems and problems with the cleanliness of the steel. If can producers such as Silgan cannot get the quantity and quality of steel required in a timely manner, this will continue to erode the industry's competitiveness with other forms of containers and accelerate the movement away from steel cans.

The Importance of Imports to the U.S. Industry Producing Steel Cans

18. A major problem in the U.S. market is also the concentration of the production of the substrate for tin mill products, tin mill black plate, in just two producers – U.S. Steel and Arcelor-Mittal. Both produce tin mill steel products as well as tin mill black plate. Each producer of tin mill black plate has an additional U.S. facility which uses its substrate to produce tin mill steel products – U.S. Steel's UPI facility in California and Arcelor-Mittal's facility in Weirton, West Virginia. U.S. Steel also provides some substrate for Ohio Coating's production of tin mill steel products. The only other North American facility is Arcelor-Mittal's facility in Canada.

19. While there is not a significant volume of imports into the United States, the industry structure makes it crucial that some level of imports is available in the market to provide performance and quality pressure on the U.S. duopoly, to supply specifications not available from U.S. producers, to provide the most efficient supply for particular locations and to provide some level of alignment between the competitive conditions in the U.S. market and the conditions internationally. For example, there is not enough capacity in the U.S. to produce drawn and ironed steel (D&I) to which the can producing industry is migrating. Again, further restrictions on imports of tin mill steel products will have non-price effects which will reduce demand for steel cans and, in turn, will reduce the demand for tin mill steel products. As an example, []

It is unclear how Silgan would []

³ []

]

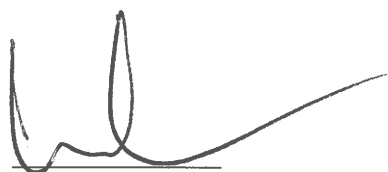
Potential Import Restriction Remedies

20. Silgan understands that there is excess steel capacity globally and that much of this excess capacity is finding its way into the higher priced markets, such as the United States. This problem is not unique to the U.S. steel industry, but is a global problem. Global problems demand global solutions. National solutions which target one industry for protection inevitably simply push the problem forward to the consuming industry. And, the consuming industry will need its own protection if it is to remain competitive and survive. Our major concern is that the Department not recommend action to the President which will harm consuming industries or, in this case, harm both the tin mill steel producing industry and the consuming industry.

21. Decisions should not be made on the basis of “steel” in total, but rather on the basis of individual steel products. The effects of imports differ by product and are not uniform across the industry. Similarly, the importance of particular products to the health of the U.S. industry also differ. Therefore, the national security implications of particular import products will differ depending on the individual steel product.

22. While these principles should govern the Department’s decision on any remedy, we believe that the case for excluding tin mill steel products from any remedy recommended by the Department is overwhelmingly strong. Tin mill steel products are not used for any security related purposes and constitute too small a portion of the overall U.S. steel industry to materially affect its health.

Pursuant to 28 U.S.C. 1746, I declare, under the pains and penalties of perjury, that the foregoing is true and correct.

A handwritten signature in black ink, appearing to read 'Michael Arena', written over a horizontal line.

Michael Arena