

CPTI

COMMITTEE ON PIPE & TUBE IMPORTS

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**Statement of Douglas A. Polk
Chairman, The Committee on Pipe and Tube Imports (CPTI)
and Vice President of Industry Affairs - Vallourec USA, Houston, TX**

**Congressional Steel Caucus
Briefing on the State of the U.S. Steel Industry
Thursday, March 26, 2015 - 8:30 a.m.
2218 Rayburn House Office Building
U.S. House of Representatives**

Good morning Chairman Murphy, Vice Chairman Visclosky, and the distinguished members of the Congressional Steel Caucus. My name is Doug Polk and I am the Vice President of Industry Affairs at Vallourec USA, located in Houston, Texas. Vallourec is one of the world's leading producers of steel tubular products used by the ever changing energy industry. Our company and our employees are proud to be part of this nation's energy renaissance and we are prepared to meet the energy needs of future generations. Our primary manufacturing facilities are located in Youngstown, Ohio; Muskogee, Oklahoma; and Houston, Texas. We also have other production facilities located in Louisiana and Wyoming.

Some Caucus members may recall that we announced a multi-million dollar investment in a new fine quality seamless tube mill in Youngstown, Ohio. That investment grew to approximately \$1 billion and our Youngstown plant has employed over 1,200 workers. First and foremost, this facility would have not become a reality if our company and other U.S. oil country tubular goods (OCTG) producers had not received relief from unfairly traded imports from China in 2010. These antidumping and countervailing duty orders made it possible for our company to take the risk associated with building the nation's newest OCTG mill. We also extend our gratitude to each Member of Congress who supported us during the investigation to ensure that we received relief. Our first years were met with great success, but that chapter has closed. As we have heard from other witnesses this morning, there is a crisis facing the U.S. steel industry. The U.S. has been the destination for vast volumes of energy tubular imports, all arriving at a time when we are experiencing a decline in demand. The result is something we all

know too well – declining prices, heavily subsidized and unfairly priced imports taking larger market share of a rapidly declining market. You will note in one of our slides the dramatic increase in inventories as rigs are laid down. This exacerbates what was already a stressed market. Employee layoffs and plant idlings are unavoidable as we move through 2015 and 2016. **As of today, there are over 6,000 workers on layoff in the pipe and tube sector.** I imagine you are saying that this sounds familiar because it is true that many in the room this morning raised these same concerns to you one year ago at the Caucus hearing held on March 25, 2014.

I would like to elaborate on a few issues that I believe are important for Members to consider as you deliberate over policies in Congress that would benefit the industry and its workers. This morning I appear here on behalf of the members of the Committee on Pipe and Tube Imports (CPTI). Our association has 46 members who have facilities in 30 states and employ over 35,000 workers nationwide. Our member companies make an array of products used in automotive applications, residential and commercial construction, energy, transportation and infrastructure, and fire protection. As a downstream steel sector, these companies are important customers of the nation's basic steel producers and the industry represents nearly one-third of the sales for domestic hot-rolled products.

The CPTI is proud to have served our members for over thirty years and continues to collaborate with other steel trade groups to promote policies that will ensure a future for the domestic steel industry. Our members are effective advocates and they travel to Washington each year to meet with Members and discuss issues of importance to the industry. We will return this year on May 21, 2015 to share our stories and hope to see many of you during our visit. Our messages will be clear and concise, urging solutions to global steel overcapacity, ending currency misalignment, ensuring enforcement of trade laws, and facilitating the domestic industry's participation in the nation's economic renaissance through new opportunities in the energy and infrastructure sectors

This morning I would like to highlight a few of the issues that we as an industry and an association believe warrant attention and action.

First, 2014 and first quarter 2015 data confirm that imports have continued to grow and gain a greater share of the U.S. market. Second, despite the endless attempts over the years of diplomatic exchanges between the U.S. and China there has been no end to subsidized steel expansion in China – today China continues to expand its steel overcapacity. Third, while we

were encouraged by the new shale discoveries and achievements in new technologies that resulted in increased demand of steel tubular products we are disappointed that much of this demand was served by imports.

Let me begin by elaborating on imports and why our industry remains gravely concerned. In 2014, pipe and tube imports took over half of the U.S. market. In fact, import penetration for all steel pipe and tube products was 58.2 percent. Much of these imports arrived from China and Korea, with India and Turkey following. The industry filed trade cases against OCTG imports from nine countries, including Korea, on July 2, 2013. After a long and lengthy battle the industry received relief from six countries in September 2014. The good news is that we were able to keep 10,000 workers employed. However, the tale continues as Korea has taken the U.S. to the WTO to challenge these final results. Of course the story does not end with OCTG. After huge increases in imports of welded line pipe from Korea and Turkey, the U.S. industry filed cases in October 2014. Line pipe also is used in the energy sector and is the primary product used to transport oil and gas. In January and February 2015, imports of OCTG and line pipe surged by more than 50 percent, even though the market was declining due to falling energy prices and the drop in the rig count.

Second, allow me to expand on the chronic issue of subsidized global overcapacity. CPTI members have been vocal on this issue for over a decade. Despite our efforts, there has been no meaningful progress on this issue. It is widely recognized that the Chinese government has subsidized over one billion tons of steel capacity in China. Of this, there are over 250 million metric tons of excess capacity. China is the world's largest steel exporter by far, with nearly 100 million metric tons of steel exports in 2014 at prices more than one quarter below world prices. So year after year we ask the same question - how can we end this harmful cycle? The CPTI believes the only solution is to insist that the U.S. government enlist other governments around the world to take Chinese violations of the subsidy rules to the WTO for redress. If we do not take swift and appropriate actions, I fear we will continue to see the slow demise of the domestic industry. It is time that our government take action to hold China accountable to the terms of their WTO accession by pursuing violations by China of the Subsidies and Countervailing Measure (SCM) Agreement.

Third, the CPTI believes that Members should take appropriate action to address a number of legislative proposals in this Congress:

- The CPTI urges Congress to take appropriate action on legislation which will end currency misalignment. The Currency Reform for Fair Trade Act, H.R. 820 was introduced on February 10, 2015 and includes provisions that would allow currency manipulation to be recognized as a subsidy. The CPTI supports this legislation and urges Members to join Representatives Murphy, Levin, Brooks and Ryan as cosponsors of this legislation.
- The CPTI urges Congress in its review of trade legislation to adopt provisions that will end customs fraud by supporting legislation that will provide the U. S. Customs and Border Protection Service (CBP) with the authority and direction to carry out these enforcement responsibilities.
- The CPTI urges Congress to support legislation that will expedite the permitting and approval of pipeline construction to allow the industry to be part of the safe and efficient solution to transport crude across the country.
- The CPTI applauds members who are working with constituents on ready to work programs and worker re-entry programs, including Veterans training programs for the next generation of workers in the industry.

Finally, on behalf of members of the CPTI, we thank you and your colleagues in the Caucus for your support of the industry, its workers and the communities that we call home. We remain committed to ensuring that this competitive, innovative and critical industry is here now and in the future for generations to come. The CPTI will continue to work with you and others in Congress on policies that will promote a strong manufacturing sector and vibrant, innovative and robust steel industry.

Thank you.

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Vice President of Industry Affairs, Vallourec USA Corporation

As Industry Affairs VP, Douglas Polk is responsible for the company's North American industry relations activities including managing trade policies, business development, executive client relations, trade organization oversight, and government relations.

Polk began his oilfield career with Halliburton serving in various field and technical sales roles. With over 30 years Vallourec service, Polk has been in executive management positions in sales, marketing, operations and business development. He was later named as Vice President of VAM USA, a Vallourec and Sumitomo joint venture before moving to Vallourec USA group position.

Polk serves on numerous industry, trade association and civic boards including the National Ocean Industries Association (Executive Committee, Treasurer, and Government Affairs Committee), the American Petroleum Institute General Membership Committee, the Steel Manufacturers Association (Trade Committee), Committee on Pipe and Tube Imports (Chairman 2014-2015), American Association of Drilling Engineers (Executive Steering Committee), the Petroleum Equipment & Services Association (Gulf Coast Chairman, Membership Chairman, International Trade Committee Co-Chair), the Marine Corps Scholarship Foundation (Houston - Crimson and Gold Committee), and the Independent Producers Association of America (Offshore Committee).

Polk is also the former Treasurer and long-time Board member of Reach Unlimited, an organization devoted to providing day-hab facilities and group homes for developmentally disabled adults.

Polk is a graduate of Lyon College (Economics) and the Tulane MBA program. He has attended executive programs at Harvard and Rice University. He is a graduate of the Institute of Politics and Government (Little Rock, AR), and the IPAA Executive Leadership program from the Bauer College of Business at the University of Houston. He served in the United States Marine Corps from 1972-1974.