

CPTI

COMMITTEE ON PIPE & TUBE IMPORTS

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Statement of Tony Frabotta
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And Vice President of Zekelman Industries

Congressional Steel Caucus Hearing
On
The State of the Steel Industry

Wednesday, March 27, 2019
8:00 to 10:00 AM
2020 Rayburn House Office Building

Good morning Chairman Lamb, Vice Co-Chairmen Bost and Crawford and the distinguished members of the Congressional Steel Caucus.

My name is Tony Frabotta and I am the Vice President of Zekelman Industries. Zekelman Industries is the largest producer of steel pipe and tube products in North America and has 2,000 employees at facilities located in Alabama, Arizona, Arkansas, California, Illinois, Michigan, Ohio, Pennsylvania, and Texas. Our company is proud to be part of these communities and pleased to have a facility in Representative Crawford's district.

This morning I return to speak on behalf of the Committee on Pipe and Tube Imports (CPTI), an association comprised of the nation's leading producers of an array of carbon and stainless steel pipe and tube and fittings products. CPTI member companies are located throughout the country in 33 states and 98 Congressional districts and today employ over 37,000 employees. These companies manufacture a variety of carbon and stainless steel pipe and tube products, which are used in our agricultural, automotive, construction, defense, energy, and

AN ASSOCIATION OF UNITED STATES PIPE, TUBE, AND FITTINGS PRODUCERS

transportation sectors. Equally important to our industry's economic well-being is the health of the domestic steel industry which we rely on. We source flat-rolled steel and long products to manufacture our welded and seamless pipe and tube products.

Last year, I joined other leaders from the industry to thank the Caucus for their unwavering support of the Steel Section 232 investigation and remedy announced on March 8, 2018. I can say without any hesitation that the proactive steps taken by the Administration to provide relief to the industry and its workers has resulted in an economic turnaround and recovery in progress for the industry and its workers. For example at our company we provided incentive bonuses upon the enactment of the 232 for all of our employees and again on March 18, 2019, brought back workers to plants as we restored shifts and announced new investments in our production facilities.

The Steel Section 232 remedy includes a 25% tariff on steel imports from the majority of steel producing countries and annual quotas administered on a quarterly basis with Argentina, Brazil and Korea. These remedies have proved to be effective in successfully pushing back imports. But the reality is that this agenda needs to reach further as we need to continue down the path of quotas to stabilize this industry long term. We also recognize that negotiations continue with Canada and Mexico to reach an agreement on an alternative remedy that would ensure tariff free movement of steel across the U.S. – Canada and Mexico borders. We look forward to the successful conclusion of these negotiations.

Caucus members will recall that pipe and tube imports in recent years were “off the charts.” The impact of these imports resulted in temporary idling of plants, reduction in workforce and financial losses for the industry. In fact prior to the announcement of the 232 remedy overall import penetration reached historical highs. In 2017, pipe and tube imports had

63% of the market and fell by 1.1 million tons in 2018, while still taking more than half of our market.

I am confident when I say that the industry is in a better place now than before, but I have to reiterate that our industry is still not out of the woods. There is still need to keep the 232 remedy in place. You may ask me why so allow me to explain. First, we all know that steel is a cyclical industry and global trade patterns shift to meet demand. The industry is at a half point in its marathon against imports and we remain concerned that many bad actors are engaged in practices to misclassify product to evade payment of the 232 duties. Our industry has carefully documented this activity and has notified the Customs Service about these practices. Customs has acted quickly and I believe they are using all of their tools to ensure that the 232 duties and tariffs are enforced. Our industry would also like to commend the Commerce Department for their fastidious efforts on the implementation of the 232 program. Second, we believe it is important that the 232 remain in place until a significant reduction in subsidized worldwide overcapacity is achieved. Even with the 25% duties in place, we see Chinese, Indian, Turkish, or Iranian steel essentially being laundered to change into pipe in countries like Vietnam, Oman, and UAE and being imported here below our costs.

As the Caucus begins its work on framing legislative priorities in the new 116th Congress, we encourage members to explore policies that will allow the industry to expand and serve demands for steel products in this country. Whether it is pipe used to transport oil and gas or structural tubing being used in the construction of a skyscraper our products are needed here as we rebuild the country. In addition to our quality products, our companies provide good wage jobs for thousands of employees who have also benefited from job training programs which have allowed them to advance in the industry. Of course our industry's continued success relies on

our ability to compete on a level playing field. If trade is not conducted fairly, our industry will not be able to continue to compete in the marketplace.

The CPTI also supports the framework of principles established in the U.S. Mexico Canada Agreement (USMCA). In particular, we believe that the framework includes important country of origin (COO) provisions, particularly for autos and auto parts, which will result in economic benefits for the domestic industry. We also understand that the three countries have agreed to enhance their customs enforcement tools to combat transshipment of imports through their countries. Both countries have been important trading partners to the U.S. Canada is the largest export market for U.S. steel pipe and tube products and we are hopeful that more of our products will be able to serve the Mexican market in the future. We are anxious to learn more about the timeline for Congressional review and ratification and look forward to working with Congress on this matter.

The CPTI will assemble in Washington, DC on May 16, 2019 to share our views on issues of importance to the industry with our Congressional delegation. Our message to members is simple – ensure that trade is conducted fairly and keep the Sec. 232 program in place. We will ask Congress to support legislation that will strengthen the trade laws; support new infrastructure development legislation – including the reauthorization of the PIPES Act; support policies to enhance the nation’s energy grid and ongoing support of legislation to address an end to customs fraud, circumvention and evasion. The association also supports a robust Fiscal Year 2020 appropriations package that provides necessary resources for the Office of the U.S. Trade Representative, Department of Commerce, U.S. International Trade Commission, and U.S. Customs and Border Protection.

The Steel Caucus has provided outstanding leadership in Congress for many years and we thank you for your support, engagement and leadership on issues that are critical to the country's steel industry, its workers and its communities. We look forward to working with the Caucus this year. Thank you.

Anthony Frabotta

Zekelman Industries



Anthony is a native of the Chicago area and has been in the steel industry for most of his career. He received his bachelor's degree in Accounting from the University of Illinois Chicago. He currently is the Vice President of Finance for Zekelman and has served in various roles during his 28-year tenure with the company, including Finance, Operations, M&A and Government Relations.