



THE COMMITTEE ON PIPE AND TUBE IMPORTS

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WRITTEN STATEMENT OF L. SCOTT BARNES

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And Vice President and Chief Commercial Officer of TMK IPSCO**

**Before the Congressional Steel Caucus – U.S. House of Representatives
Washington, D.C.**

March 21, 2012 - 8:00 a.m. –2322 Rayburn House Office Building

Good morning Congressman Murphy, Congressman Visclosky and the distinguished members of the Congressional Steel Caucus. My name is Scott Barnes and I am Vice President and Chief Commercial Officer of TMK IPSCO of Downers Grove, Illinois. Our company manufactures a variety of carbon steel pipe and tube products at plants located in Blytheville, Arkansas; Camanche, Iowa; Wilder, Kentucky; Geneva, Nebraska; Brookfield, Ohio; Catoosa, Oklahoma; Ambridge and Koppel, Pennsylvania and Baytown, Houston and Odessa, Texas.

It is with great pleasure that I return here this morning to appear as Chairman of the Committee on Pipe and Tube Imports (CPTI). Members of the Caucus may know that the CPTI represents the majority of the country's steel pipe, tube and fittings producers which employ over 30,000 workers nationwide. Today the CPTI has 44 CPTI member companies who are located in 29 states. CPTI member companies make an array of products used in automotive applications, residential and commercial construction, energy, infrastructure and fire protection. As a sector of the domestic steel sector, we represent nearly one-third of the sales for domestic flat-rolled products. Flat-rolled steel is the input for welded pipe and tube, while billets are the input for seamless pipe and tube. I am pleased to participate with other representatives from the steel industry to discuss key issues of importance to the industry and its workers.

Today I am here to provide you with a "snapshot" on how our industry is doing in this challenging, but gradually improving economic climate and provide you with an overview of some of the issues the CPTI is working on in the Second Session of Congress. At the May 2011 Caucus hearing we addressed some of the ongoing concerns associated with the depressed economy and policies that we believe would encourage growth in the steel sector. This theme

focused both on offense and defense – offense in which the industry was preparing to meet growing demand for energy products and defense in which we fought to ensure the trade laws were enforced, including an end to customs fraud.

I recognize that one of the major themes we revisit is China – and our efforts to compete against an industry in a country which continues to pursue unfair trade practices. We already know that China continues to massively subsidize its steel industry and this has been well documented in numerous trade agency reports. In one of the Commerce Department’s final determinations on circular welded steel pipe the agency noted that approximately 95% of the Chinese steel industry is state owned or controlled. Four years later the trend continues. In fact, the industry is so concerned that we are exploring other avenues in the trade area to pursue possible violations by China of the Subsidies and Countervailing Measure (SCM) Agreement.

As an industry association which was formed to advocate for open and **fair trade**, the CPTI continues to carefully monitor import data from all countries. The CPTI recently issued import comparison data for the years 2010 and 2011 and reported that overall pipe and tube imports increased by **21%** in 2011, from 5.8 million to 7 million tons. Imports supply accounted for 56% of the U.S. pipe and tube market in 2011. Comparing the variety of tubular products, the industry saw standard pipe imports increase by 12% from 654,000 tons to 732,000 tons – much of these imports arrived from Vietnam, Oman, UAE and India which resulted in this segment of the industry filing antidumping and countervailing duty cases on these imports. This investigation is pending at the U.S. International Trade Commission and at the Department of Commerce. Another increase was reflected in OCTG products where we saw imports increase by 22% - from 2.4 million to 2.9 million tons. In fact, OCTG imports accounted for over 40% of total pipe and tube imports in 2011. This increase was led by a massive surge of imports from Korea.

Members of this Caucus are aware of our industry’s history with the successful use of the trade laws. In particular, TMK IPSCO participated in many of the previous cases including OCTG from China. The success of the OCTG China case in 2010 and imposition of AD and CVD duties represented a huge victory for the industry and its workers and for our company. Personally speaking, I know that my company, TMK IPSCO, was able to take decisive steps to not only return our laid off employees to work, but hire new employees and make new investments to realize the opportunities presented by energy exploration and development. Since that time our company has embarked on a mission to expand our production, invest in existing facilities and establish a state of the art Research & Development Center. First, with regard to our expansion, the company opened a new premium pipe-threading company in 2010 in Brookfield, Ohio which today employs 71 workers who make product for the shale market. The mill is running full out and we recently reported that over 25,148 45-foot steel pipes are ready for shipment to well sites or storage facilities. In fact if this pipe was stretched out – it would equate

to 214 miles of pipe nearly enough to connect this plant in Ohio to Detroit, Michigan. We are extremely proud of this facility and our employees. Another example was our announcement earlier this year that we would expand our mill in Wilder, Kentucky representing a new \$27.6 million investment in this mill which also makes pipe for the energy market. Finally, in May 2011 we broke ground on a new 51,000 square foot R&D Center in Houston, Texas. This facility will serve as the “heart” of the company’s innovation initiatives. These are all very positive and exciting stories to share with our public officials and I am comfortable in saying that these efforts would have not been possible if we did have relief from unfairly traded imports from China. This also is relevant to the CPTI members who have invested or have established over \$2 billion in new plants and equipment in Youngstown and Warren, Ohio, Liberty, Texas, Baton Rouge and Bossier City, Louisiana, Little Rock, Arkansas, Mobile and Thomasville, Alabama, and Tunica, Mississippi. Even despite harrowing losses from the April 2011 tornadoes in the South, one CPTI member, Independence Tube, will rededicate their pipe and tube facility in Decatur, Alabama near the one year anniversary of this disaster. These are all good stories – and they represent the best in this country who are dedicated to rebuilding the manufacturing sector. The winners in this race are companies, employees, communities and our customers.

Congressional Priorities for the CPTI in 2012

As I noted earlier, the CPTI has focused on trade issues during its nearly three decade history. We have worked on trade bills and on significant trade legislation passed in earlier Congresses. Earlier this morning, we heard about the recent enactment of legislation (H.R. 4105) which would ensure that the countervailing duty (CVD) laws can be applied in cases against non-market economy (NME) countries, i.e. China and Vietnam. This matter also referred to as the GPX case, left unresolved would have led to the end of current CVD orders and made it impossible for any affected industry to use the law. This would have devastated our industry. Fortunately, through the support of you and others in the House and your colleagues in the Senate – legislation was adopted to reverse the December 19, 2011 Court of Appeals for the Federal Circuit decision. This was a huge victory for everyone and more importantly the successful resolution of this issue demonstrated that Congress **can work together on these important issues. We thank each of you for your support in passing this legislation on March 6, 2012 and the President signing this into law on March 13, 2012.**

Second, as we mentioned in 2011, the CPTI continues to experience massive transshipment and misclassification of pipe and tube products from China to avoid the payment of duties. The CPTI launched its Customs Task Force in February 2010, to concentrate on these duty evasion tactics. For the past two years we have worked with a multi-industry coalition to continue the dialogue with the U.S. Customs and Border Protection Service (CBP) and Immigration and Customs Enforcement (ICE) in an effort to identify and develop legislation to remedy the

problem. This dialogue has included a series of meetings with agency officials, ongoing discussion at the quarterly steel industry training seminars at U.S. ports and discussions with Members of Congress on legislation to end this problem. The result has been the introduction of the Enforce Act of 2011 (H.R. 3057) in the House which provides the necessary tools to ensure that CBP can execute their authority in commercial enforcement so there is an end to customs fraud. This legislation was introduced on September 23, 2011 and we are working to recruit more cosponsors on the bill to ensure that this issue can advance in this final session of the 112th Congress. There has been discussion of movement of a bill to reauthorize the Customs Service and we believe that this would be an appropriate time to raise the enforcement legislation when it is considered in the House. We urge members of the Caucus to join Representatives Billy Long (MO) and Linda Sanchez (CA) to cosponsor the legislation. As we have explained to Members, the success of any trade case once duties have been imposed is the government's ability to collect the duties. In addition to duty collection serving as a deterrent, this revenue is an important addition to the U.S. treasury.

Third, the CPTI supports legislation which will ensure that China comply by ending their manipulation of its currency. As we stated in the past this policy has directly resulted in significant import increases of pipe and tube products from third countries that are utilizing Chinese steel inputs. In fact, Chinese currency manipulation allows state-owned Chinese steel producers to export unemployment through a direct export subsidy of an undervalued currency. We will continue to work with the Congress to request that they move H.R. 639, The Currency Reform For Fair Trade Act. We know that the Senate adopted a similar bill (S. 1619) on October 11, 2011 and we hope that the 230 House members will urge the leadership to take this bill to the floor for consideration. It is time that we took action to end this injurious and trade distorting practice.

Finally, as the Caucus knows many of the CPTI members manufacture products for the energy sector. Therefore, the association supports a robust energy policy that will allow the United States to end its dependence on foreign sources. Further, the industry recognizes the opportunities in shale oil and gas and wants to supply work in the promising Bakken, Eagle Ford, Haynesville, Marcellus and Utica Shale areas. These resource plays are each unique and best left to local authorities for regulatory oversight. These discoveries can provide this country and future generations with ample energy resources – in addition as I noted earlier, shale work due to horizontal drilling creates more demand for steel tubular products which are used to extract and transport the oil and gas. We believe that the shale play areas provide the manufacturing sector with ample opportunities for growth. In addition, CPTI member companies making large diameter line pipe will benefit as new pipelines are approved. And as the overall national economy recovers, our members making product for the commercial and residential construction market will benefit from new construction. These steps are incremental and we realize may take time, but our industry is prepared for these future opportunities.

Mr. Chairman, in 2011 the CPTI adopted a goal to invite Members to visit CPTI facilities. I am pleased to say that last year we increased the exposure of our industry to over 40 House Members – many who toured facilities, met employees and discussed the issues. Other visits included “business round tables” with leaders from the community to explore and discuss policy issues impacting the industry. This was a huge accomplishment for the association and we are continuing the program in 2012. For any member here we invite you to visit one of our facilities to see firsthand how these products are made.

On behalf of all of us at the CPTI, we thank you and your colleagues for supporting the industry through your work on important legislation that will lead to a renewed manufacturing sector. The Caucus has served an important role for over three decades in advocating for a strong steel industry, its employees and communities across the country. We applaud you for these efforts and look forward to working with you in the remainder of this Congress.

Thank you.

**Comparison of U.S. Pipe and Tube Imports
Domestic Shipments and Import Penetration
2010 – 2011 (in 000s)**

	<u>2011</u>				<u>2010</u>			
	<u>Imports</u>	<u>Shipments</u>	<u>Consumption</u>	<u>Import (%) Penetration</u>	<u>Imports</u>	<u>Shipments</u>	<u>Consumption</u>	<u>Import (%) Penetration</u>
Standard	725	842	1,567	46.3	654	675	1,329	49.2
OCTG	2,931	2,485	5,336	54.9	2,384	2,080	4,464	53.4
SD Line Pipe*	1,390	336	1,726	80.5	714	268	982	72.7
LD Line Pipe*	588	145	733	80.2	777	60	837	92.8
Mechanical	689	679	1,368	50.4	748	537	1,285	58.2
Pressure	132	48	180	73.3	86	41	127	67.7
Structural	388	1,010	1,398	27.8	326	887	1,213	26.9
Stainless	126	8	134	94.0	110	11	121	90.9
Total	6,989	5,473	12,442	56.2	5,799	4,559	10,358	56.0

Sources: AISI Imports 2 with changes in nomenclature based on Commerce Agreements Compliance Procedure, AISI 10P, Statistics Canada, and information on structural tubing supplied by Steel Tube Institute. Based on 11 months data, estimates, and SIMA for December 2011.

*Small diameter (SD) line pipe = 16" or under in outside diameter

*Large diameter (LD) line pipe = over 16" in outside diameter

January 26, 2012