

**Testimony of Mike Stateczny
CEO, New Castle Stainless Plate
Before Section 301 Committee
May 15, 2018**

Committee members, thank you for holding this hearing today and for allowing me to testify on behalf of the Coalition of Energy Equipment Manufacturers (CEEM). My name is Mike Stateczny and I am CEO of New Castle Stainless Plate based out of New Castle, IN. CEEM is a coalition of U.S. fabricators that manufacture highly-specialized process industry components that are necessary to produce, store, transport and refine oil and gas and related products as well as other mission critical applications vital to the functioning of an advanced economy. I am here today to ask that Process Industry Components for the energy-related and refining industries be included in the final list of products covered by the Section 301 action.

Much like the steel industry, U.S. fabricators that manufacture these critical components for the energy-related and refining industries have been hit especially hard in the last few years by unfair competition from foreign competitors. Heavily subsidized, foreign corporations have begun “dumping” fabricated energy equipment at prices that are sometimes below the cost of materials for the same equipment manufactured in the United States. This is an intentional effort on the part of companies and countries to avoid the duties that are already in place and has made it nearly impossible for U.S. companies to compete in the open market for fabrication jobs, many that are being utilized within a few miles of U.S. manufacturing facilities. This has resulted in a substantial loss of high-paying jobs in the manufacturing sector, especially in the areas offshore oil and gas production and in refining operations. This will only continue to happen, and get far worse, unless the federal government intervenes in a meaningful way.

While we support the Administration’s goal of protecting the national security, the Section-232 steel tariffs are having the perverse effect of undermining U.S. fabricators by increasing the material costs to fabricators for components critical to both national security and energy independence and that we are already struggling to compete for.

To that end, it is critical that the specific issues of energy equipment fabricators be addressed in the overall plan to combat discriminatory practices of many of our foreign trade competitors. While the current list of proposed products subject to the Section 301 action includes many upstream steel products, it does NOT include Process Industry Components that are also manufactured in China, and are already flooding into the U.S. market. This problem will only become worse in response to the Section 232 tariffs as I noted above. We feel that it is appropriate to include Process Industry Components critical to our national security and energy independence within the scope of the expanded Section 301 petition that is under consideration.

Failure to do so could literally wipe out all of the U. S. fabricators that manufacture this equipment, thereby eliminating the ability to domestically produce these highly specialized components. It is also important to note, that many of the technologies emanate from US-based companies that inadvertently export these designs and other intellectual property in the procurement process to the detriment of our own manufacturing infrastructure.

The ability to design, engineer and fabricate components critical to our national security and energy independence is of paramount importance in relation to U.S. innovation. China's discriminatory practices have decimated our ASME qualified companies with dumped, subsidized and predatory pricing practices. There remain roughly 6,000 companies operating within this space that produce components critical to the US economy in times of peace and as well as building defense-related articles during times of war. We cannot allow them to be further harmed by the mercantilist practices of a command economy and potential military rival and removing them as a threat to our manufacturing capability is an imperative priority.

To close I would like to provide you with a specific example of the problem that I have described today that demonstrates just how blatantly discriminatory some of our foreign competitors have become.

A U.S. fabricator lost an order for a refinery upgrade in Montana where they have a shop in Idaho that has always enjoyed a close relationship to the customer based on service and quality. Being by far the closest fabricator with the capability to manufacture such a product and given the fact that the transportation of such a large piece of equipment to the job site makes up a substantial portion of the overall cost of the project, the company held a very competitive advantage in winning the job. The U.S. Company quoted a price of \$1.9 million, installed, and felt this was very aggressive based on US Plate prices since the imposition of Duties on Carbon & Alloy Plate in March 2017. A foreign fabricator took the order for \$900,000, which was less than the material cost in the US. Making matters worse, a well-respected logistics consultant with experience in ocean shipping, river barging and off-loading to point of installation confirmed the cost of transportation was ~\$600,000 with the biggest expense being removal of oversized equipment from the river barge and transporting to the job site. Clearly this is an egregious example of dumping and subsidization as no private enterprise could sell Process Industry Components for \$300,000 based on the iron ore costs in the steel plate alone.

Again, thank you for allowing me to appear before you today to provide my remarks regarding the proposed Section 301 determination and the need to have Process Industry Components for the energy-related and refining industries included in the final list of products. I will be happy to answer any questions that you may have.