BEFORE THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

USTR-2018-0018

HTSUS Subheadings 7308.90.9590

Testimony of Aaron Schapper, Group President, Utility Support Structures

Valmont Industries, Inc. and related subsidiaries (Valmont Newmark, Inc. and Pirod, Inc.)

Hello Mr. Chairman and members of the Committee. I am Aaron Schapper, Group President of Valmont Industries, Inc. ("Valmont" or the "company"), located in Omaha, Nebraska. My remarks today are on behalf of two Valmont business segments, Utility and Telecommunications. Valmont is requesting that the USTR remove structural steel components classified in HTSUS subheading 7308.90.9590 from the list of products subject to Section 301 duties.

Valmont is a leading manufacturer of products for the infrastructure and agricultural markets. With over 5,500 U.S. employees in 38 manufacturing facilities located in 21 different states, Valmont's products span from lighting and traffic structures that guide the way, communication towers that keep people connected, utility structures that power homes and businesses, to irrigation equipment that helps grow the world's food.

Within these sectors, Valmont often plays a critical role in important infrastructure and development projects. There are no better examples of this than Valmont Utility's role in the rebuilding effort following Hurricane Maria last year in Puerto Rico, or Valmont Telecommunications providing critical support to FirstNet, an independent authority established to develop, build, and operate a nationwide, broadband network for police, fire and other first responders.

Valmont's wholly-owned subsidiary in China, Valmont Industries (China) Ltd., plays an important role in supporting production capacity. Following Hurricane Maria, Valmont responded to the U.S. government's issuance of rated orders for power poles, all of which are

currently covered by the Section 301 list. The rated orders required Valmont to bump orders for other utilities in order to provide utility poles to help resolve the extreme power issues in Puerto Rico caused by the hurricane. While Valmont provided the government with structures that were compliant with all government procurement requirements, Valmont utilized its production capacity in China to backfill pending orders of similar products to other utilities.

With respect to the FirstNet project, Valmont Telecommunications provides antenna support structures and other telecommunication structures that allow the placement, positioning and access to telecommunications equipment. A significant majority of the steel structures needed to support this project are not currently produced in the U.S., but are otherwise available from competitors who produce these products in other offshore locations. The proposed 25% tariff will limit Valmont's ability to continue to provide these critical infrastructure components, and will open the way for other competitors that use foreign-made components.

Valmont recognizes and shares the concerns of the Section 301 proceedings. From the beginning, Valmont established a wholly-owned subsidiary in China to have complete control over its Chinese investments <u>while preventing any transfer of technology to other private or public Chinese entities</u>.

Within the area of electrical power equipment, a primary focus of the Made in China 2025 initiative is the development of technology to support high capacity hydropower generation facilities, nuclear power generation facilities, and high-power electrical components.

To be clear, Valmont does not produce any of this type of equipment. While the Company serves the utility and telecommunications industries, <u>Valmont manufactures structural steel poles and components that do not include any of the technological advancements contemplated by the Made in China 20215 initiative</u>. The structural steel components at issue,

which are classified in HTSUS subheading 7308.90.9500 as parts of steel structures, are not the kind of high-tech power distribution or telecommunications equipment I just described. Their manufacture in China will not threaten the U.S.'s competitiveness in the utility and communications industries, nor will it provide the Chinese government access to any cutting edge technology.

The Section 301 tariffs will cause economic harm to Valmont. Valmont's Telecommunications business will incur forced losses based on established long-term contracts with the major telecommunications carriers that do not allow flexibility in sourcing or pricing. This economic hardship may be tolerable if other competitors were facing similar prospects, but as stated earlier, competitors are manufacturing products in foreign locations other than China, which protects them from suffering the negative economic impact of the tariffs.

Further, to shift production to a foreign facility in another country, significant financial investments would have to be made and it would take between 18-24 months.

In summation, imposing tariffs on the structural steel components that Valmont imports from China would not in any way influence the Chinese government to alter or change the policies and practices identified by USTR in its Section 301 Report. Moreover, the additional tariffs would have a detrimental impact on Valmont, its U.S. customers, and the general public. For Valmont Telecommunications, the only beneficiaries of the tariffs would be Valmont's competitors that manufacture these components in other foreign locations. For Valmont Utility, it will limit Valmont's ability to respond in moments of natural disasters/crisis.

Thank you for the opportunity to testify today. I would be glad to answer any questions that you may have.

Attachment – Product Images

Valmont Utilities

Valmont Telecommunications