Testimony of Robert Bussiere,
General Manager - Fire Protection Products
Allied Tube and Conduit
Section 332 Hearing, USITC

Good Morning Chairman Okun and members of the Commission. For the record, my name is Bob Bussiere, of Allied Tube and Conduit Corporation, a division of Tyco International. Allied was founded in 1957 by a group of inventors and has always been a technological leader in the production of pipe and tube products. Over the past decade, we have been engaged in a process that the larger steel industry is engaged in at the present time. We purchased four other pipe and tube companies in the United States, closed some of their plants and rationalized capacity and heavily reinvested in all of our facilities. We also invested in the acquisition of pipe and tube companies in Europe and Brazil, so our company certainly has a world-wide approach to business and a world-wide knowledge of competitive conditions. We have over 2,000 employees in our U.S. operations and most of these employees are covered by USW contracts. Notwithstanding relatively high wages, our labor cost is almost always less than 10% of the value of our finished tubular products. Thus, we believe low labor rates in countries we are competing with is certainly not the cause of competitive condition problems for us on U.S. sales. Our major product lines in the United States are mechanical tubing, sprinkler pipe, fence tubing, and electrical conduit. The first three of these product lines are covered by 201 duties of 12% against some of the countries that export these products to the United States. In the United States, we purchase approximately 1.4 million tons of flat-rolled steel annually.

I understand this hearing is about competitive conditions and the 201 program. As one of the largest producers of mechanical tubing for original equipment manufacturers in the United

States, I can tell you that the biggest competitive condition that Allied faces in its business is the severe reduction in demand in most of our customer base for mechanical tubing caused by import competition from China. Let me give you a few examples. We are a major supplier of pipe for building scaffolding. After these scaffolding producers receive our pipe, they engage in a number of labor-intensive operations from welding and swedging through final fabrication of the panels that are assembled on job sites. However, over the past few years, we have seen our scaffolding customers lose much of their business to imports of finished scaffolding from China. The same holds true for retail products which incorporate galvanized tubing, such as trampolines which are now imported from China.

We generally have 100,000-200,000 tons of steel inventory on hand at any given time, or approximately one-month's supply. Our company does not like to see steel prices changing from \$50 to \$100 to \$150 per ton over a six to nine month period, whether these changes are up or down. It creates serious problems. Obviously the steel industry experienced a lot of disruption over the past two years. We are hopeful for the long-term benefit of our company that the consolidation and increased competitiveness of a number of plants that supply us with steel will be beneficial to our company. In Chicago, where we have our largest production facilities, we are significant buyers of steel from the former LTV and Bethlehem facilities in Gary, and our plant in Philadelphia is a major purchaser of steel from the former Bethlehem Sparrow's Point plant. Had these plants been shut down, it would have caused problems for our supply needs. In addition, we have one plant in southern Indiana that makes door impact beams for the automotive industry and is supplied exclusively with a patented steel licensed by Nippon to Bethlehem at its Burns Harbor facility. Had Bethlehem shut down instead of being purchased by

ISG, not only we, but approximately a dozen auto plants would have experienced significant supply disruptions.

In conclusion, we are facing demand problems and we still have severe import competition in our finished products. The imposition of tariffs on our products that were only half as great as those on our flat-rolled inputs has severely squeezed and reduced our profit margins, reducing cash flow and harming our ability to reinvest in our facilities. However, this is a competitive condition that is now a *fait accompli* and cannot be addressed. We do hope that your recommendations to the administration will encompass trade policy with China. If not, we will see continued reductions in demand that will certainly cause us to close plants and further retrench our operations in the future.

Thank you.