Testimony of Glenn Baker
Vice-President of Marketing and Sales
Searing Tube Company
Section 332 Hearing, USITC

Good Morning Chairman Okun and members of the Commission. For the record, my name is Glenn Baker, I am Vice-President of Marketing and Sales for Searing Industries. Searing is the last family-owned pipe and tube company in the Los Angeles area. There are five other pipe and tube companies in the L.A. area, Western, Vest, Hannibal, California Steel Tube and Maruichi American Corporation. Between the six of us, I estimate that we purchase approximately 500,000 to 600,000 tons of flat-rolled steel annually. Prior to the shut-down of Geneva Steel in late 2001, Geneva was probably the largest supplier of flat-rolled steel to the pipe and tube producers in the L.A. area. CSI was the second largest supplier. With the shut-down of Geneva, we have been dependent on supply from CSI, to a lesser degree shipments from Midwest mills, and we purchase very little imports from Asian countries, which were mostly covered by the 201 tariffs. Given freight costs of approximately $40 per ton on shipments from Midwest mills, such shipments act as a buffer preventing CSI from getting more than $40 per ton out of line with Midwest pricing. In contrast, freight from Geneva was only $20 per ton, versus the $5 per ton from CSI so there was true head-to-head competition between those mills on a daily basis. If the West Coast pipe and tube industry is going to survive, and that is a big question mark at this time, we would certainly benefit from a small mini-mill West Coast production facility being put in place. We wish Nucor all the best in their cast-strip enterprise and hope that some day a cast-strip facility could be economically and environmentally placed on the West Coast.

All of the L.A. area pipe and tube companies produce mechanical tubing for a wide variety of OEM users. I know people back East think that we only make movies and wine in California, but California has always been home to thousands of manufacturers of a variety of consumer products. We are seeing that consumption base disappear. In just the last month, I have been informed by two major California customers who are divisions of Fortune 500 companies that within two years, they will shut down their plants, source the products, from China, and distribute them in the U.S. Another major customer in Utah, which produces playground equipment, has told me that they will shift more sourcing to China.

We are not losing these customers because steel or tubing is cheaper in China than it is in California. Currently, steel prices in China are as high or higher than they are in the United States. We believe the same it true for tubing price. We see the problem as the lack of an effective trade policy with respect to China. Chinese producers do not incur the environmental or safety regulatory costs we do. More important, the U.S. government has done nothing to address the long-standing currency manipulation by China, whose currency is undervalued by 20-40%. While steel costs and steel availability issues are important to Searing and the other Los Angeles area manufacturers, the fact is that, if there is no demand for our products, then it won't matter what our steel costs are.

Thank you for the opportunity to testify here today, and I hope that these issues are included in your report to the President and Congress.