

**Written Statement of  
Dr. Jack H. Goldman  
On behalf of the Hearth, Patio & Barbecue Association  
And its U.S. Member Companies**

**To**

**Secretary Marilyn Abbott  
Members of the U.S. International Trade Commission**

**In Accordance with**

**“Steel-Consuming Industries: Competitive Conditions with Respect  
to Steel Safeguard Measures, Investigation No. 332-452”**

**June 20, 2003**

Good morning, Secretary Abbott and ladies and gentlemen of the Commission. My name is Jack Goldman and I serve the 2,500 members of the Hearth, Patio & Barbecue Association as General Counsel and Director of Government Affairs. I want to thank you for the opportunity to testify before you today on behalf of our U.S. member companies, who are experiencing losses as a result of the Section 201 steel tariffs that took effect in March of 2002.

I come before you today representing more than three hundred fifty American manufacturers of factory-built fireplaces, wood stoves, pellet stoves, barbecue grills, liquified-petroleum gas cylinders, gas controls, accessories for these appliances, and chimneys and venting products. Our industry manufactures these products for consumer households throughout the United States. Our members' products are used year-round, both indoors and outdoors. The hearth and barbecue industries combined account for roughly nine billion dollars worth of economic activity in the United States annually. In 2002, our hearth manufacturers shipped 1.7 million fireplaces and stoves in North America alone. In the same year, our barbecue grill manufacturers shipped more than 15 million units – including charcoal, gas, and electric grills. We estimate that two-thirds to three-fourths of our products are manufactured in the United States. Although our industries are diverse and small in comparison to some other American industries, we are indeed a significant user of steel in our products and our members rely on the availability of steel at globally-fair prices to make fireplaces and grills at affordable prices for the American market.

Hearth and barbecue manufacturers use different types and quantities of steel while making their products. Hearth appliances typically use a combination of cold-rolled sheet steel, cut-to-length/clad plate, and corrosion-resistant and other coated steel, while barbecue appliances and related components use stainless steel or hot-rolled coils. A standard firebox in a factory-built fireplace, which is the most popular kind installed for builders in new homes, consists mostly of corrosion-resistant or “coated” steel. Product components that are used in some barbecues, specifically liquified-petroleum gas cylinders, are made from hot-rolled coils.

Because of the diversity of steel used in our products, our manufacturers buy nearly 100% of their steel from American service centers, instead of purchasing it directly from steel producers. Since the implementation of the Section 201 steel tariffs, our manufacturers report that service centers have cancelled long term contracts, imposed significantly longer lead times, delayed deliveries of raw materials, and increased prices from 12 to 25%, depending on the type of steel. For some companies, these tariffs have resulted in increased production costs of more than \$1million, profit losses of nearly \$1.5 million, employee layoffs of 30%, and lost contracts to foreign competitors worth \$5 million. It's one thing to suffer business losses as a result of changing markets or a slow economy, but it's a completely different type of loss when it results specifically from a government-sponsored tariff program.

Because of the moderate size of our industry, it is impossible for our manufacturers to simply look for another steel supplier. Like so many other industries, our manufacturers depend on the "just in time" deliveries and rely on the integrity of their contracts with service centers to provide the steel at the time and price that was agreed upon. The steel tariffs have restricted the flow of steel into the United States. so that larger customers get their supplies first, leaving smaller industries, like ours, to absorb the costs of delays, lengthened lead times, and broken contracts. Our manufacturers are unable to meet the demand from their customers when their steel service centers cannot provide on-time deliveries of the raw materials needed to manufacture their products.

In addition to delivery delays and broken contracts, perhaps the most egregious effect of the tariffs on our manufacturers is price increases. While it may be true that the Section 201 steel tariffs are intended to be scaled down each year in the percentage of the tariff applied, our manufacturers report that the initial increases applied in April 2002 have not been reduced by their suppliers as a result of the decreased percentage of the tariffs. The price of corrosion-resistant, coated steel from one service center increased 20% after April 1, 2002 and that increase is still in effect as of March 2003, despite a reduction of 6% in the tariff. We are only aware of two instances of an actual decline in

the percentage of a price increase after April 1, 2002. In every other case, the price increases reported by our manufacturers have not dropped at all from the initial increase after April 1, 2002. They are still paying a premium to purchase steel in the United States.

In the current economy, our manufacturers cannot simply increase the price of the finished products to builders and retail customers because of increased steel costs. Home builders are extremely price sensitive because of all the other costs of development which they must bear. If home builders are forced to pay higher costs for our products, then they could easily choose to eliminate them from their homes. Likewise, if our barbecue manufacturers started raising the prices of their grills and accessories to cover increased production costs, then consumers will simply start purchasing the lower-priced foreign imports that they find sitting on the shelf next to the American-made models. Foreign grill manufacturers can charge less because, among other factors, they can purchase globally-priced steel and import finished products into the United States tariff-free. This pricing disadvantage could force our American manufacturers to move their production overseas where they can obtain steel at cheaper, global prices. This is the true irony of the steel tariffs: to protect the domestic steel industry, other American manufacturers will be forced to operate overseas.

As a consumer-driven industry, our members are adept at managing the trends in the market that determine what types of products consumers are buying. However, our market's natural flow has been interrupted by the steel tariffs, which artificially raise the cost and impact the availability of hearth and barbecue products. Because our industry relies on a healthy supply of steel, we wholeheartedly support a viable domestic steel industry in the United States. Our members, however, cannot support a federally-imposed price increase to bail out the domestic steel industry from its economic crises and jeopardize our own industry's survival.

The Section 201 steel tariffs are having the unintended consequence of damaging the customer base of steel producers – that is, consuming industries like ours. Because of

the negative impact on our manufacturers, as I have described to you today, our members ask that the steel tariffs be terminated as soon as possible.

I thank you very much for privileging us with an opportunity to tell you about the effects of these tariffs on our industry.