



Deposition of:
**ROUND TABLE ON TARIFF AND
TRADE Meeting**

November 19, 2018

In the Matter of:
Round Table On Tariff And Trade

Freedom Court Reporting
800.808.4958 | calendar-freedom@veritext.com | 205-397-2397

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The following Round Table on Tariff and Trade discussion was taken before LAURA R. FANT, Court Reporter and Notary Public, at the University of South Alabama, Student Center Ballroom, 307 North University Boulevard, Mobile, Alabama, on the 19th day of November, 2018, commencing at 10:00 a.m.

A P P E A R A N C E S

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SENATOR DOUG JONES

MR. BRENT SANSING

MR. DAVID FERNANDES

MR. ROBERT BURNS

MR. DANIEL PENRY

MR. JIMMY LYONS

MR. RICK CLEMENTZ

MR. GRAHAM JONES

MS. ALLYSON EDWARDS

MR. MARK KAISER

MR. MIKE LEE

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I, LAURA R. FANT, a Court Reporter of
Mobile County, Alabama, and Notary Public for
the State of Alabama at Large, acting as
Commissioner, certify that on this date,
whereupon the following proceedings were had:

* * * * *

1 SENATOR JONES: I want to call
2 just a round table discussion of the U.S.
3 Senate Committee on Homeland Security and
4 Governmental Affairs to order. Today's
5 round table will be discussing --
6 examining the effects of tariffs and
7 trade policy on Alabama, and so I so much
8 appreciate all our participants, but also
9 to the University of South Alabama for
10 hosting this round table. Especially,
11 Nick Walkins for working with the staff
12 and making this all happen and helping
13 arrange not only the committee, but some
14 of the visits that we're doing today.

15 So we want to examine at this
16 hearing, in this round table, and I have
17 to use the term round table as opposed to
18 hearing because it changes the
19 connotation some. The round table is a
20 slightly more informal setting than we
21 have when we have testimony at hearing.
22 It will be transcribed. And at the end
23 of the round table, we'll talk about the

1 ability to submit more information.
2 We've got a relatively limited amount of
3 time with the number of folks here.
4 We'll try to get -- cover as many things
5 as we can, but if we miss something and
6 anyone of you want to add to this, you
7 can.

8 The round table today is an
9 opportunity for the committee to hear
10 about the recent actions on tariffs and
11 what it means for your businesses and for
12 the broader Alabama economy. In
13 particular, we're here to discuss the
14 administration's actions as it relates to
15 the Section 232 tariffs on steel and
16 aluminum, the 232 national security
17 investigation on autos and auto parts,
18 the 301 tariffs on goods from China,
19 retaliatory tariffs and the re
20 negotiation of NAFTA.

21 I am personally interested, I
22 have been involved in this issue since
23 some of these tariffs were first

1 announced back in the spring, and
2 interested in hearing about the impacts
3 on your employees, your customers, your
4 supply chains, and Alabama's economy in
5 general. In addition, I want to hear
6 about experiences, dealing with federal
7 agencies, what's working, what's not
8 working.

9 I will candidly say I'm
10 troubled by the growing of what I
11 perceive to be the growing global trade
12 war that has been started. Not the least
13 because of the high cost of goods to
14 Alabama citizens. Alabama is now an
15 exporting state, more than five hundred
16 and sixty thousand Alabama jobs are
17 supported by trade. Our farmers spend
18 their crops -- they send their crops
19 across the globe, and we're the third
20 highest exporter of automobiles. That's
21 a remarkable turn around for Alabama's
22 economy to go in a matter of about twenty
23 something years to being the fifth

1 largest manufacturer and the third
2 largest exporter of automobile.

3 I've heard estimates from the
4 U.S. Chamber of Commerce that the trade
5 war can have an impact on as much as four
6 point four billion dollars in Alabama
7 exports, that includes two hundred and
8 forty-eight million in exports to Canada,
9 seven hundred million in exports to
10 Mexico, a hundred and eighty-three
11 million in exports to Europe, and three
12 point two billion in exports to China.
13 Obviously, China is a big market for
14 exports in the State of Alabama. These
15 are Alabama's top four export markets and
16 all four of these markets have
17 experienced major upheaval to the regular
18 trade patterns and all four have imposed
19 retaliatory tariffs on Alabama made
20 products.

21 In Mobile alone, manufacturing
22 jobs have grown by thirty percent and
23 wages have increased by twenty point one

1 percent in recent years. Trade is a
2 major factor in that growth. Average
3 wages for manufacturing jobs in Mobile
4 are ten percent higher than the national
5 average. We have not even begun to see
6 the full extent of the positive impact of
7 Airbus moving into this area. The
8 Mercedes M class in Vance is a vehicle
9 that started Alabama's modern
10 manufacturing boom, and has continued to
11 a reinvestment of Mercedes-Benz, Honda,
12 Hyundai, to expand and modernize their
13 facilities in Alabama. And it
14 demonstrates the effectiveness of the
15 Alabama work force in keeping up with the
16 changes in manufacturing technology.

17 This past week I was in
18 Huntsville for the groundbreaking of the
19 new Mazda Toyota plant, which will bring
20 about four thousand new jobs to the north
21 Alabama area. So trade is a key to
22 Alabama's growth. When I think about
23 trade, I worry most about the cost that

1 we quantify, the deals that might be left
2 on the table, respective investments in
3 Alabama that we may never know. Farmers
4 are already at risk of losing markets,
5 possibly permanently. I heard from one
6 company in Pelham that wanted to get
7 clarity on the administration's time line
8 for resolving the conflict with China.
9 Instead of waiting for that resolution to
10 come, they indefinitely canceled their
11 plans for a merger that had been in the
12 works for over two years due to the
13 uncertainty that they were facing.

14 But there's a different side
15 of all this as well. Despite many
16 concerns with the administration's
17 current trade policies, I also understand
18 the need to address bad (unintelligible).
19 I grew up in Fairfield. Brent Sansing is
20 here today to discuss the Fairfield U.S.
21 Steel Works. I grew up in the shadow of
22 that steel mill, I worked at that steel
23 mill one summer in the Cotton Time Mill,

1 ten hours a day, six days a week, about
2 killed me. But it was good work and it
3 was great paying jobs and it built a
4 middle class, and I think that at one
5 point, that -- that plant alone, that
6 whole complex employed over twenty
7 thousand people.

8 And, so, I know the impacts of
9 a global trade war on the steel industry.
10 And where things have gone and how
11 illegally subsidized steel has hurt my
12 city, has hurt my state, and has hurt
13 this country, and it is a national
14 security concern. A strong steel
15 industry is important for our national
16 security, there is no question about it
17 and we can't stand idly by.

18 I do have to mention one
19 personal note. I got Brent Sansing here
20 from U.S. Steel, and I am so happy that
21 he is here as the head of the U.S. Steel
22 Fairfield Works. Brent and I go way
23 back. Brent actually after coming --

1 leaving the Navy, came in as a contractor
2 working for a German company named
3 Foerster Instruments at the U.S. Steel
4 plant. My dad hired him in that
5 capacity. Dad had worked out at U.S.
6 Steel, retired, went to work for Foerster
7 at the U.S. Steel, hired Brent. And who
8 would have dreamed twenty-five years ago
9 that his young understudy would end up
10 being head of the plant and his son would
11 be a U.S. senator. So it's a credit to
12 Gordon Jones, and I have to give a little
13 shout out for him.

14 So I think what we're seeing
15 here, and it's so good to have everybody
16 that's being affected by these tariffs
17 one way or another, both good and bad.
18 And we have a global economy today, it's
19 not like a hundred years ago where trade
20 was important then, but today we are so
21 interconnected. We see it in our
22 manufacturing, we see it in our exports
23 and imports, we see it in every way we

1 go. And what is -- what is our line
2 between free trade and fair trade? How
3 can policies that benefit some Alabama
4 companies maybe harm others? And what
5 can government do to help ensure a
6 level playing field for American
7 businesses and the American worker to
8 make sure that we provide the best
9 opportunities for our people?

10 So I look forward to
11 discussing some of these really important
12 questions today, having a dialogue. We
13 are going to start, I'd like for
14 every one, since we do have a number of
15 folks, I'm going to ask -- I'm going to
16 ask Mike to start this out a little bit.
17 If you don't -- if we would just go
18 around, my left to the right, introduce
19 yourself, who you're with, and let's --
20 we'll try to keep opening comments to two
21 or three minutes or whatever you feel
22 like, so we can get -- and have some
23 dialogue going.

1 So Mike, take that away. Let
2 me say at the beginning, though, I very
3 much appreciate everybody. I know some
4 of you traveled a long way, all the way
5 from Huntsville and other places. I
6 appreciate that very much. This is an
7 important hearing, so with that, Mike,
8 take it away.

9 MR. LEE: Okay. Can you hear
10 me? Senator Jones, well, thank you for
11 inviting me to participate in this
12 important discussion about trade policy
13 and its impact on Alabama -- Alabama
14 manufacturers.

15 My name is Mike Lee and I'm
16 vice president and general manager of
17 Nucor Steel Decatur, one of twelve
18 facilities Nucor Corporation operates
19 here in Alabama. Nucor is the largest
20 steel recycler in the United States and
21 the largest recycler in North America.
22 We employ approximately twenty-five
23 thousand teammates, including three

1 thousand in Alabama.

2 Nucor has been a member of the
3 Decatur community since 2002. You might
4 remember when we purchased and remodeled
5 the Trico Steel Mill. Nucor Steel
6 Decatur now employs seven hundred and
7 twenty teammates, who earn an average of
8 a hundred and nine thousand dollars
9 annually. In the last decade, we
10 invested nearly four hundred million
11 dollars in our Decatur mill and almost
12 nine hundred million state wide.

13 Our industry has endured years
14 of unfair trade with an unrelenting flood
15 of dumped and subsidized steel
16 overwhelming our market. This has led to
17 reduced production and weaker balance
18 sheets and layoffs. Although Nucor was
19 able to avoid layoffs, every one in our
20 company is paid on the basis of
21 performance, so when production and
22 profits fall, we all take home less money
23 for our families.

1 For years we fought back with
2 trade cases and got duties imposed on
3 nations that skirted the rules, only to
4 see those countries cheat again by
5 transshipping products through third
6 countries. Then we filed cases to stop
7 this evasion. This endless game of
8 whack-a-mole threatened to undermine the
9 entire U.S. Steel industry and our
10 nation's national security. Until this
11 administration recognized that a more
12 comprehensive approach was needed.

13 The President got it right
14 when he imposed tariffs on steel imports
15 in order to safeguard national security.
16 And the steel tariffs are working. When
17 the President announced the tariffs, he
18 had a goal of restoring and sustaining
19 capacity utilization levels above eighty
20 percent. In recent weeks, the industry
21 has hit that mark for the first time in
22 more than six years. Lower imports and
23 an increase in the U.S. industry's

1 utilization rates are indicators that the
2 administration is achieving it's goal.
3 The steel tariffs are also allowing steel
4 prices to return to fair market base
5 level, which enables our company to
6 continue to invest in our teammates, our
7 facilities, and new technology.

8 Since the beginning of 2017,
9 Nucor has announced over two billion
10 dollars in new capitol investments.
11 Today, Alabama steel companies supported
12 sixty-one thousand jobs, and three point
13 two billion dollars in wages. Therefore,
14 greater investment by the steel industry
15 will only continue to grow Alabama's
16 overall economy. American workers can
17 successfully compete against anyone in
18 the world when we have a level playing
19 field. We are not protectionists. We
20 simply want other countries to play by
21 the rules of the global trading system.
22 The tariffs are serving as a tool to get
23 them to do just that. Thank you.

1 SENATOR JONES: Thank you,
2 Mike, appreciate that very much. Mark?

3 MR. KAISER: Senator Jones,
4 first I want to say thank you for your
5 work on the bipartisan farm bill in the
6 senate. We're hoping that we can get
7 this done before the first of the year
8 and please encourage it.

9 SENATOR JONES: Well, I
10 appreciate that, Mark, we're -- just to
11 give you an update, we are working and
12 that bill is in Congress, and there's a
13 lot of things that we can get this -- if
14 we can just get a couple of little poison
15 bills out of the way, we can get it
16 passed. So we're going to be hitting the
17 ground running next week to try to get
18 that thing done.

19 MR. KAISER: Well, thank you,
20 because due to the trade situation, we
21 need it. I mean, we're -- already our
22 prices have been in free fall for the
23 last five years, and this is causing it

1 to even be worse.

2 Soybeans are probably one of
3 our largest crops that we export and our
4 largest customer is China. We're down
5 ninety-eight percent for the year.

6 Soybeans, they're produced, they're going
7 into storage now, farmers are holding on
8 to them. I don't know what's going to
9 happen if China doesn't go to the table
10 and start buying. But they're going to
11 Brazil and Brazil is going to be
12 harvesting by the end of December. They
13 may totally take us out of their market
14 and we've been working on this market for
15 twenty years.

16 We're kind of in a situation
17 where we're -- we're taking the brunt of
18 this tariff war right now and we're the
19 least prepared to do it.

20 SENATOR JONES: Great. Thank
21 you, I appreciate that, Mark. Allyson?

22 MS. EDWARDS: Good morning,
23 I'm Allyson Edwards with Honda

1 Manufacturing of Alabama. I'd first like
2 to offer our appreciation to Senator
3 Jones and his staff for hosting today's
4 event. We appreciate the Senator's
5 leadership on the tariff issue, as well
6 as the support that Honda has received
7 from Governor Ivey and other of our
8 elected representatives as well.

9 Next year will mark two
10 important milestones for Honda's history.
11 We will celebrate the sixtieth
12 anniversary of our business in the United
13 States and our fortieth anniversary of
14 manufacturing products here in the United
15 States. When Honda first started doing
16 business in the United States in 1959, we
17 imported all of the products we sold. In
18 1982, we began building the Honda Accord
19 in Ohio, and since then we have produced
20 more than twenty-five million vehicles in
21 America, including one point two million
22 vehicles last year.

23 Additionally, ninety-five

1 percent of the vehicles we sold in the
2 U.S. last year were built in North
3 America with a significant majority being
4 produced here in our domestic plants.
5 This remarkable transformation is guided
6 by a simple and long held Honda
7 commitment to build products close to the
8 customer.

9 Honda has a substantial
10 presence in the U.S. with more than
11 seventy-five facilities, including twelve
12 manufacturing plants, fourteen RND
13 facilities, parts centers, marketing,
14 sales, service and financing operations.
15 Honda's deep commitment to the U.S. and
16 to Alabama is probably best represented
17 by an announcement we made just last
18 week. Honda will be introducing a new
19 SUV known as the Passport, and it will be
20 built here in Alabama.

21 But equally important to note
22 is that the Passport not only will be
23 built here, but it was conceived,

1 designed and engineered by Honda's RND
2 resources in the United States. Honda
3 now has a work force of over thirty-one
4 thousand Americans, of whom seventy-two
5 percent work in manufacturing roles.
6 Last year Honda produced more than --
7 purchased more than forty-one billion
8 dollars in parts, supplies and services
9 from more than twelve thousand U.S.
10 companies in thirty-two states. And our
11 U.S. made products were exported to
12 eighty-nine countries.

13 Here in Alabama, Honda's
14 investments now totals two point six
15 billion dollars at our vehicle and
16 engineering and manufacturing facilities
17 in Lincoln, Alabama. In fact, last week
18 on November 14th, we marked seventeen
19 years since our first Honda Odyssey
20 rolled off our production line in 2001.
21 Since that day, Honda Manufacturing of
22 Alabama has built more than four point
23 seven million vehicles and engines in the

1 state that I have called home since my
2 birth.

3 Our forty-five hundred
4 associates in Lincoln take great pride in
5 the fact that the three products we build
6 in Alabama, the Odyssey mini van, the
7 Pilot SUV, and the Ridgeline pickup truck
8 have consistently been ranked by
9 independent researchers as three of the
10 top ten U.S. made vehicles with the
11 highest U.S. content, and we won't be
12 surprised if the Passport is added to
13 that list.

14 However, the potential
15 cumulative impact of new trade policies
16 is unsettling for those in our industry
17 who make decisions about future
18 investments. This uncertainty about
19 future costs in an industry with long
20 product lead times adds risk to doing
21 business in the U.S. Unfortunately,
22 Honda has been impacted by a number of
23 trade actions. We purchase the majority

1 of our steel from U.S. suppliers and
2 nearly all of it here in America, North
3 America. Despite our local purchases,
4 the tariffs represent hundreds of
5 millions of dollars in added cost.

6 Our U.S. built products also
7 face retaliation from a number of key
8 trading partners, some of our closest
9 allies. To be fair, barriers to trade
10 should be removed everywhere, but
11 imposing tariffs here will put American
12 workers, American consumers, American
13 communities and the American economy at
14 risk. For this reason, Honda has joined
15 other auto makers doing business in the
16 United States in opposing new tariffs on
17 automobiles and auto parts.

18 Thank you again, Senator
19 Jones, for your support and for allowing
20 us this opportunity to participate in
21 this discussion.

22 SENATOR JONES: Thank you very
23 much. Mr. Jones?

1 MR. JONES: Good morning, I'm
2 Graham Jones with Aker Solutions. I'm a
3 project director.

4 On behalf of Aker Solutions,
5 it is my pleasure to participate in this
6 dialogue to explore ways that we can find
7 mutually beneficial solutions to the
8 recent trade policy changes. Aker
9 Solutions is a local energy services
10 company based in Oslo, Norway,
11 established in 1841.

12 In 2003, we opened a high
13 volume manufacturing facility in
14 Theodore, Alabama at Mobile Middle Bay
15 Port, where we currently employ hundreds
16 of passionate U.S. Citizens, as well as
17 our international colleagues, where they
18 are dedicated to meeting the offshore
19 U.S. energy market demands. The
20 positions employed at our facility
21 provide some of the most competitive
22 compensation packages in Alabama.

23 The facility in Theodore,

1 Alabama, primarily manufacturers subsea
2 umbilicals, as well as the ancillary
3 hardware. Subsea umbilicals linked the
4 surface and seafloor, oil and gas
5 equipment for controls, power, heat, and
6 have -- also have applications in
7 emerging offshore floating wind market as
8 well. A pivotal component of our subsea
9 umbilicals is coiled seamless super
10 duplex stainless steel tubing, and the
11 product is only manufactured primarily by
12 two companies, one in Czech Republic and
13 the other in Austria.

14 Since the 2010 Deepwater
15 Horizon oil spill, these products are
16 manufactured in customized technical and
17 priority specifications. Currently
18 there's not a company in the U.S. that
19 manufacturers or supplies coiled seamless
20 super duplex stainless steel tubing, and
21 there's not a seamless substitute for the
22 material in the offshore application.
23 Not all steel is made the same.

1 Since 2016, we have imported
2 roughly over forty million dollars in
3 product over the Gulf of Mexico for the
4 United States energy industry. Total
5 import tariffs paid on that product is
6 rough -- a little over forty-one
7 thousand, six hundred and twelve dollars.
8 However, under the recently enacted
9 import tariffs, Aker Solutions has
10 calculated a 2019 and 2020 direct import
11 duties for products to be installed in
12 the Gulf of Mexico will be four million,
13 seven hundred and eighteen thousand, two
14 hundred and seventeen dollars. This is a
15 one thousand nine hundred and forty-two
16 percent increase over our previous --
17 what would have been our previous burden
18 of two hundred and thirty-one thousand
19 dollars for the same product delivered.

20 The cost increase resulting
21 from the new tariffs will put a burden on
22 both greenfield and brownfield offshore
23 energy construction, which could

1 consequentially result in financial
2 justification to delay at that point
3 construction investments in the Gulf of
4 Mexico. In addition, the tariffs can
5 impact our ability to export products as
6 well.

7 While we are located in a free
8 trade zone, tariffs can, and are in fact,
9 having a negative effect on our
10 international purchasers, who are fearful
11 of retaliatory measures by other
12 countries. This affects how our business
13 can contribute to the growth of the GDP.

14 In May of 2018, Aker Solutions
15 began the cumbersome process of filing
16 applications for exclusion from the duty
17 on imports of steel and aluminum articles
18 under Section 232 in the Trade Expansion
19 Act of 1962. The directions provided for
20 the process were opaque, time frames for
21 the decisions are not specified and
22 finding someone to communicate with
23 within that office was challenging. This

1 creates another level of difficulty for
2 financial and sales planning, as well as
3 extra costs that could be reinvested in
4 our business in the form of jobs.

5 Following extensive information
6 gathering, as well as a legal review of
7 our applications, we were officially
8 submitted seven applications on August
9 22nd, 2018. The public comment period
10 ended September 21st, 2018, and we have
11 not -- not received any objective
12 comments to our applications. However,
13 we have not received any information on
14 the status of our approval.

15 In the remaining weeks of
16 2018, we will be importing critical
17 infrastructure to the Gulf of Mexico for
18 a U.S. based energy company. The
19 expected tariffs on that are calculated
20 to exceed five hundred thousand dollars.
21 Significantly higher than the tariffs
22 that would have previously been. Aker
23 Solutions would warmly welcome a domestic

1 qualified supplier of coiled seamless
2 super duplex stainless steel tubing, but
3 we are currently forced to utilize an
4 international supply base that has
5 invested their own capital to create a
6 process, which adheres to our customers
7 engineering and risk tolerances.

8 Enacting a paradoxical program, such as
9 tariffs on steels provides no long-run
10 benefit -- no long-run economic benefits
11 to U.S. Steel industry. It's a short
12 term resolution for a long term business
13 challenge.

14 Innovation and the ability to
15 adapt domestic industry business
16 practices to a global market demand would
17 foster an environment for domestic made
18 steels could remain competitive. If this
19 process of applying for exclusion from
20 the duty on imports of steel and aluminum
21 is to remain, we hope there's a way in
22 which we find a way to make it better
23 some to the goals of the U.S. economy.

1 Thank you.

2 SENATOR JONES: Thank you,
3 Mr. Jones. Let me say, today we are --
4 have another communication of the
5 commerce asking for an expedited review
6 of that exclusion, of the time frame. So
7 hopefully we'll hear something soon, but
8 we'll stay on top of that.

9 MR. JONES: Thank you. And
10 also, on the finding points of contact or
11 people to contact with Department of
12 Commerce in Birmingham is extremely
13 helpful, as well as the Chamber of
14 Commerce locally as well, helping to sort
15 of walk through that process, but they
16 also did not receive any specific
17 directions on how to go about it.

18 SENATOR JONES: Thank you.
19 Mr. Clementz?

20 MR. CLEMENTZ: All right.
21 Senator Jones, thank you for the
22 opportunity to participate in today's
23 round table discussion. My name is Rick

1 Clementz, I am the general counsel for
2 Mercedes-Benz U.S. International in
3 Vance, Alabama, also known as MBUSI. On
4 behalf of MBUSI, thank you for your
5 strong support of Alabama's automotive
6 industry, I would like to thank you
7 specifically for your letter and support
8 of MBUSI's recent tariff exemption
9 applications. We are always eager to
10 work with our elected officials on pro
11 growth, pro job policies that support the
12 automotive industry.

13 I appreciate the opportunity
14 to express MBUSI's views of the likely
15 consequences of certain economic
16 policies. Our U.S. operations are facing
17 substantial challenges with respect to
18 trade policies. The potential for new
19 taxes, recently enacted tariffs, and the
20 retaliation from China are all concerning
21 developments. Today's round table is
22 timely and important.

23 Free and open trade helped

1 bring Mercedes to Vance, Alabama over
2 twenty years ago. We now make
3 approximately three hundred thousand cars
4 a year. Our investment has sky rocketed
5 to over six billion dollars, and we
6 employ over three thousand, seven hundred
7 full-time team members. Between seven
8 thousand and eight thousand people walk
9 through our gates every day. Last year
10 we announced an additional one billion
11 dollar investment that includes bringing
12 battery production and electric vehicles
13 to Alabama. It should be noted MBUSI is
14 the number one exporter in Alabama.
15 About two-thirds of our SUVs are
16 exported, and we are the sole producer
17 world wide for the Mercedes-Benz large
18 scale SUVs. We sell to customers in over
19 one hundred and thirty countries.

20 Our presence in Alabama has
21 allowed Mercedes-Benz to achieve a
22 balanced trade in the U.S. Our three
23 hundred thousand vehicle annual capacity

1 covers ninety percent of the annual
2 Mercedes-Benz sales in the U.S. MBUSI
3 provides a home to almost two hundred
4 U.S. based suppliers, which collectively
5 employ over ten thousand people. This
6 supply base relies on a global network.

7 The ongoing trade dispute with
8 China is a top concern because China is
9 our largest market. In fact, MBUSI is
10 the number two U.S. exporter of vehicles
11 to China. The trade sanctions have led
12 to increased tariffs making our vehicles
13 less competitive in this vital market.
14 This situation is putting us in the
15 middle of a trade battle that could harm
16 our U.S. production. MBUSI is encouraged
17 that the newly negotiated USMCA will be
18 trilateral. The new requirements will
19 put an additional burden on our
20 relatively low volume of vehicles. We
21 are currently assessing and analyzing the
22 new USMCA requirements.

23 In conclusion, MBUSI is

1 concerned that the proposed U.S. tariffs
2 on imported passenger vehicles and parts
3 will negatively impact U.S. auto makers.
4 The U.S. auto industry succeeds in an
5 environment where there is certainty and
6 predictability. Massive sudden changes
7 to U.S. trade policy cannot be quickly
8 absorbed by our companies. Changes in
9 our capital-intensive industry make --
10 take multiple years to carry out.
11 Today's American automotive and
12 manufacturing business is built on pro
13 growth policy that provide stability.
14 MBUSI remains hopeful that the U.S. will
15 continue its long tradition of supporting
16 free trade and encouraging foreign direct
17 investment.

18 Thank you, Senator Jones, for
19 holding today's hearing.

20 SENATOR JONES: Thank you,
21 Mr. Clementz. We've now been joined by
22 Jimmy Lyons from the Mobile Port
23 Authority. You want to have a couple of

1 opening comments?

2 MR. LYONS: Yes, thank you,
3 Senator Jones, for hosting in this event
4 and this hearing. And we are very
5 concerned about the tariffs, especially
6 the shotgun approach that apparently is
7 being taken and the subsequent
8 retaliatory tariffs, we -- a recent study
9 showed that over a hundred and thirty
10 thousand jobs are affected by the
11 activities of the Alabama State Port
12 Authority, being Alabama's only seaport.
13 We see those hundred and thirty thousand
14 jobs to some extent being affected by
15 these tariffs. We've only begun to see
16 small examples, and I can cite several,
17 but I don't know that that's worth going
18 into.

19 But I think that we're just
20 beginning to see the impacts and what
21 we're going to see in the future is going
22 to be much more impactful than it has
23 been to date. We've seen it in grain,

1 we've seen it in our steel exports.
2 We've seen orders cancelled, we've
3 actually even seen metallurgical coal
4 shipments cease to at least one country
5 whose been subject to the steel tariffs.
6 So the effects are far reaching and it
7 has created an environment of uncertainty
8 in business.

9 Auto makers, who can speak
10 better than I can for them. We are a
11 vendor to the auto makers, we do handle a
12 lot of automobile parts and automotive
13 steel, both import and export, actually.
14 We export a lot more automotive steel
15 than we import. But I see all of these
16 things being potentially impacted. And
17 ultimately one of the concerns that we
18 have is the potential inflationary impact
19 of these new taxes, which is exactly what
20 they are, you can call them tariffs, but
21 they're taxes. And these tariffs and
22 taxes are eventually going to fall on the
23 shoulders of the American people. So far

1 companies have been absorbing to some
2 degree the tariffs that are -- counter
3 duties and tariffs that are in effect
4 now, but that can't happen, can't keep on
5 very long. And at some juncture it's
6 going to get passed down.

7 We're seeing it in some of our
8 construction projects, where construction
9 steel has gone up most around thirty
10 percent this year, and we see further
11 impacts. So fortunately we don't have a
12 lot of construction activity we have
13 underway right now involves a lot of
14 paving, paving, and pile driving and that
15 sort of thing, so it's concrete asphalt,
16 things like that, that are largely cost
17 drivers, as well as the labor cost. But
18 we do see potential inflationary impacts,
19 and which is not a good thing.

20 We've had inflation under
21 check for a long time and being at
22 reasonable levels, and I don't know that
23 this economy can stand further impacts of

1 the -- of this. Thank you.

2 SENATOR JONES: Thank you,
3 Mr. Lyons. Mr. Penry?

4 MR. PENRY: Hey, my name is
5 Daniel Penry, thank you so much for
6 having me, Senator Jones. I'm a fourth
7 generation farmer in Baldwin County, my
8 great grandfather started the farm in
9 '53. My dad came out of high school and
10 started farming in 1973, and I graduated
11 from Auburn in '03, and I've been there
12 ever since. Our farm is in -- according
13 to USDA, is considered a very large
14 family farm, which I believe about
15 ninety-five percent of the farms in
16 America fall into that category.

17 Our farm has been struggling
18 for the past about since '14 with prices.
19 I mean, prices have just been down, down,
20 down, we've got neighbors that have quit
21 and gone and, you know, done something
22 else. Luckily, in Baldwin County, our
23 land is worth quite a bit of money for

1 houses. So if I sell my farm, it's going
2 to be somebody's house, it's not --
3 nobody is going to come in and take it
4 and keep the food coming.

5 We -- we should be in a
6 situation right now in cotton, in the
7 dollar plus range per pound. So if I
8 make a thousand pounds at a dollar a
9 pound, that would be a thousand dollars.
10 Well, that's about a level we can -- we
11 could actually catch up some at, but
12 because China keeps canceling our orders
13 and we're completely out of the market in
14 China, there -- we're in the seventy-
15 eight cents range, which we're just
16 breaking even. And we can't afford to do
17 that much longer, we've been either
18 breaking even or losing a little bit
19 every year since '14.

20 Just to give a little
21 background, we grow sweet potatoes, and
22 that's been really good to us, but forty
23 percent of North Carolina's crop, which

1 is the largest sweet potato growing state
2 in the country, goes overseas to the U.K.
3 And, so, that market is affected by
4 tariffs, that puts a lot more sweet
5 potatoes on the market that we can't
6 handle. Those -- some of the biggest
7 sweet potato growers in North Carolina
8 are broke, they're going broke, and just
9 dealt with Hurricane Florence. So things
10 are bad in agriculture, have been for a
11 while. And I know that it's a matter of
12 national security that we be able to grow
13 our own food, so we can eat.

14 Thank you for having me.

15 SENATOR JONES: Thank you,
16 Mr. Penry. Mr. Burns?

17 MR. BURNS: Senator Jones,
18 thank you for inviting me to participate
19 in this round table on behalf of Hyundai
20 Motor Manufacturing Alabama. My name is
21 Robert Burns and I'm vice president of
22 human resources and administration at the
23 manufacturing plant in Montgomery,

1 Alabama. I've worked for Hyundai since
2 2007. During the past sixteen years,
3 Hyundai and its suppliers have invested
4 billions of dollars in the United States,
5 and I have seen firsthand how these
6 investments have transformed the Alabama
7 economy and created thousands of good
8 manufacturing jobs.

9 Some may view Hyundai as a
10 foreign auto maker, but I know from
11 experience, that we're an integral part
12 of the American automotive industry.
13 Approximately half of the vehicles we
14 sell in the United States are made in
15 Alabama. We export about ten percent of
16 the vehicles we make, helping Alabama
17 become the third largest auto export in
18 the state. When Hyundai decided to build
19 cars in the United States and decided to
20 make high value core components as well,
21 like seven hundred thousand engines each
22 year in Alabama, and six hundred and
23 fifty thousand transmissions made by

1 Hyundai Power Tech each year in Georgia.

2 Earlier this year HMA
3 announced an investment of three hundred
4 and eighty-eight million dollars to
5 construct a plant dedicated to
6 manufacturing engine heads. These and
7 other investments have created an entire
8 automotive cluster in Alabama and Georgia
9 that didn't exist before Hyundai. And,
10 then, our suppliers account for about two
11 percent of Alabama's GDP and direct
12 employ about twenty-five thousand
13 American workers.

14 There have been many
15 significant developments in the U.S.
16 automotive industry recently,
17 particularly in the area of trade. The
18 issues we'd like to highlight today
19 include the U.S. Mexico Canada agreement,
20 the U.S. South Korea free trade
21 agreement, and Section 232, investigation
22 of imported auto and auto parts. As a
23 global company that supports free trade,

1 Hyundai is pleased that the trade
2 agreement between the United States,
3 Canada and Mexico remains a trilateral
4 agreement, as there is an important act
5 of trade between the three countries.

6 Auto makers and suppliers
7 alike now have the ability to assess the
8 impact, new rules, as opposed to trying
9 to evaluate hypotheticals. At the same
10 time, the U.S. auto industry at large is
11 facing challenges with the current
12 Section 232 tariffs on steel, and is
13 awaiting a decision on the Section 232
14 investigation of imported autos and auto
15 parts.

16 Substantial tariffs on
17 automotive imports under Section 232
18 could have a devastating effect on the
19 U.S. auto industry. While we are
20 constantly working towards additional
21 part localization, it is impossible to
22 change the supply chain overnight. A
23 twenty-five percent tariff on parts have

1 raised production costs at our Alabama
2 factory by about ten percent annually,
3 which would force us to raise prices and
4 cut production. A lot of Alabamians, my
5 friends and neighbors, could lose their
6 jobs. A tariff on imported vehicles
7 could force U.S. consumers to spend
8 thousands of dollars more for a car and a
9 hundred more for auto routine
10 maintenance.

11 Imports are just one part of
12 our American operations, but they are
13 vital to the success of all the others.
14 The renegotiated KORUS confirmed imports
15 in Korea do not pose a national security
16 threat to the United States. The
17 commitments in the agreement cover tariff
18 and non tariff barrier, promote free and
19 fair trade and will benefit the U.S. auto
20 industries.

21 Hyundai, and I'm sure the
22 entire auto industry, are hoping that
23 congress and administration will commit

1 to advancing proposals that retain a
2 common sense approach to free trade and
3 the elimination of trade barriers for the
4 long-term benefit of U.S. manufacturing.

5 So again, thank you, Senator
6 Jones, for your dedicated leadership and
7 for arranging this round table meeting to
8 discuss the important trade issues facing
9 Alabama manufacturing and agriculture.

10 SENATOR JONES: Thank you,
11 Mr. Burns. Mr. Fernandes?

12 MR. FERNANDES: Thank you, my
13 name is David Fernandes, I'm the
14 president of the Toyota Alabama plant in
15 Huntsville, it's an engine plant. And
16 Senator Jones, thank you so much for
17 hosting this round table. It's amazing
18 to me the consistent themes that you're
19 hearing from all of us, and it's amazing
20 to me that, you know, we work together.
21 So I'm going to repeat some things that
22 I've heard for the record, which I think
23 is really interesting.

1 Before I talk about the impact
2 of tariffs and benefits of trade, let me
3 share a little bit about the driving
4 force behind our plant in Huntsville. We
5 have fourteen hundred team members at
6 that plant, they manufacture over seven
7 hundred thousand engines, three thousand
8 engines a day. And, of course, it's the
9 best engines in the world. We have
10 experienced four expansions since 2003,
11 and have invested over one billion in
12 Alabama, and we continue to see growth.
13 You mentioned just last week at the
14 ground breaking, in 2021, four thousand
15 more Alabama team members will build
16 three hundred thousand vehicles at the
17 newest vehicle assembly plant in
18 Huntsville, the Mazda Toyota
19 manufacturing joint venture. That means
20 our combined investment in Alabama would
21 be two point six million dollars. So
22 this is just a snapshot of the footprint
23 in Alabama.

1 And in fact, Toyota has been
2 part of the cultural fabric of the U.S.
3 for more than sixty years. We have
4 created a tremendous value chain, for
5 twenty-five billion in direct investment,
6 ten assembly plants, nearly fifteen
7 hundred dealerships, and over a hundred
8 and thirty-seven thousand employees that
9 work across the U.S. So trade has helped
10 us achieve this success. We know we
11 cannot have a growing economy or lift the
12 wages of income of our citizens unless we
13 continue to reach beyond our borders and
14 sell, produce, and provide goods and
15 services to people who live outside the
16 United States.

17 The engines we manufacture at
18 my plant in Alabama are shipped across
19 the globe, including Canada and Mexico.
20 More specifically, the North America Free
21 Trade Agreement that has fueled in growth
22 of Alabama's economy. Up to fourteen
23 million U.S. jobs are supported by NAFTA,

1 including two hundred thousand jobs in
2 Alabama. In addition, annually, Alabama
3 exports more than six million to Mexico
4 and Canada. In the new agreement between
5 the U.S., Mexico and Canada that is
6 expected to replace the current NAFTA
7 will build on the success of the past.

8 Since NAFTA has increased U.S.
9 jobs by eighty percent, we've added eight
10 plants in the U.S., and again, we just
11 broke ground on our latest plant in
12 Huntsville, Alabama. There's no
13 question, NAFTA has played a critical
14 role in making North America a global
15 automotive hub for design, engineering
16 and manufacturing. But I believe we're
17 still not out of the woods, the new USMCA
18 still needs to be signed and then
19 ratified by all three countries. Until
20 that happens, the risk of withdrawal
21 still remains.

22 Now, I'll switch to a more
23 timely topic, tariffs. We believe

1 tariffs are just another way of saying
2 taxes. We know the impact that taxes
3 have upon our entire industry. We're
4 already seeing it in steel and aluminum
5 tariffs, that went into effect earlier
6 this year under Section 232, provision of
7 the U.S. Department of Commerce. Our
8 business philosophy and strategy has
9 always been to build where we sell and to
10 build where we build. That's why more
11 than ninety percent of our steel comes
12 from the U.S.

13 Now, we're here about import
14 tariffs on vehicles in auto parts, and
15 the idea that our imports are a national
16 security, and personally, that's very
17 frustrating. The idea that a hundred and
18 thirty-seven thousand hard working
19 Americans in our facilities, our supplier
20 network, and that our dealers across the
21 country could be considered a national
22 threat, that's impossible. But beyond
23 that, tacking a twenty-five percent tax

1 to all cars and car parts imported in the
2 U.S. is a direct hit by the government on
3 an otherwise healthy industry, an
4 industry that's been a driving force in
5 America for more than a hundred years.
6 The bottom line is prices will go up.
7 For example, our Camry, prices will go up
8 about eighteen hundred dollars, the Tesla
9 and Tundra prices will go up about
10 twenty-eight hundred dollars, that's just
11 passing the cost to the customer.

12 Although Toyota sources most
13 of its key parts and components locally,
14 not all of these parts are available from
15 U.S. suppliers. There is no vehicle in
16 America, whether it's a Toyota, GM, Ford,
17 Hyundai, that's sole sourced from
18 exclusive U.S. parts and components. Our
19 industry relies on manufacturing supply
20 teams that expand the globe. Just
21 imagine, there's fifteen thousand
22 individual parts that go into a single
23 vehicle. It's clear that changes to our

1 global supply chain cannot be done
2 overnight. So we're taking a stand
3 against tariffs and we continue to do so
4 with everything we can to make sure that
5 it doesn't become a reality. If we want
6 Alabama to continue to grow, if we want
7 to generate stable jobs and economic
8 growth, make Alabama a place that
9 attracts new business and improves our
10 standard of living.

11 May we join together and
12 support free and fair trade. Thank you
13 for hosting this round table.

14 SENATOR JONES: Thank you,
15 Mr. Fernandes. Mr. Sansing?

16 MR. SANSING: Yes, sir. Thank
17 you to you and your staff and the
18 University for hosting the event this
19 morning. I appreciate the opportunity to
20 share U.S. Steel's perspective on the
21 importance of enforcing our trade laws
22 and ensuring the national and economic
23 security of our great country.

1 I've worked on site of the
2 U.S. Steel's Fairfield Works for thirty
3 years, and currently serve as general
4 manager at the tubular operations here in
5 the U.S. U.S. Steel has operated in
6 Jefferson County, Alabama for over a
7 century. I'm a third generation in my
8 family who worked with the company.
9 Currently, almost eight hundred employees
10 work at Fairfield, but that's a
11 significant reduction from just a few
12 years ago. However, due to the early
13 impact of Section 232 action, there's now
14 optimism for the potential to expand and
15 create new jobs.

16 Across the country, U.S. Steel
17 employees are over seventeen thousand men
18 and women. The products and
19 manufacturing for the oil and gas,
20 automotive, appliance, container, and
21 construction industries are proudly
22 mined, melted and made in the U.S.A.
23 Cheap foreign steel has targeted

1 America's open markets for decades.
2 Beginning in 2014, we were hit with a
3 tsunami of imports. At U.S. Steel
4 thousands of workers were laid off,
5 including hundreds here in Alabama.

6 In 2015, the difficult
7 decision was made to permanently shutdown
8 the Fairfield blast furnace. For the
9 first time since 1907, the melting and
10 making of raw steel went completely cold
11 in Fairfield. A facility capable of
12 producing over two million tons of raw
13 steel annually was demolished and the
14 construction of the electric car furnace
15 was placed on hold. In tubular
16 operations alone, over two thousand
17 employees were laid off and over fifty
18 percent of our tubular facilities were
19 closed.

20 This is the context in which
21 President Trump's 232 action should be
22 measured. The status quo approaches to
23 unfair steel imports were failing our

1 country's security. The actions have
2 begun to level the playing field. In
3 recent month, U.S. Steel has restarted
4 two blast furnaces in Granite City,
5 Illinois, they sat out for over two
6 years. Now, eight hundred workers are
7 back on the job producing over two
8 million tons of steel a year.

9 Here in Alabama, there is high
10 interest and the potential to resume
11 construction of our electric car plants,
12 which will create hundreds of new jobs.
13 The United States cannot afford to
14 outsource an industry as vital to our
15 national and economic security as steel.
16 During an emergency, we need steel making
17 here at home, not awaiting delivery from
18 overseas. We need American made steel to
19 rebuild our bridges and infrastructure,
20 and to harness and transport our energy
21 resources. America cannot achieve energy
22 independence if we are relying on foreign
23 steel to build our own energy resources.

1 As the 232 moves forward and
2 is refined, it's critical to not lose
3 sight of the harm inflicted on American
4 steel making and jobs by foreign imports.
5 U.S. Steel has fought through the years
6 of unfair trade attacks and is now
7 investing in our people, processes, and
8 products to revitalize and innovate for
9 the future. We're committed to providing
10 the advanced solutions our customers need
11 for America to lead the world in
12 manufacturing. U.S. Steel is committed
13 to doing our part to keeping America's
14 steel strong. Thank you, sir.

15 SENATOR JONES: Thank you,
16 thank you all. Obviously, this is a
17 complicated issue that involves not only
18 the tariffs that are being imposed by our
19 country, but also the retaliatory
20 tariffs, and an administrative procedure
21 for exclusion, so I want to kind of get
22 to all that and it's hard to figure out
23 where to start on all this. So I think I

1 want to go back initially to my farmers,
2 because you guys are being really the
3 subject of retaliatory tariffs in
4 different ways.

5 Mark, you mentioned how China
6 and the market for soybeans in Brazil.
7 Have the prices for soybeans dropped over
8 the last year since all of this has
9 started?

10 MR. KAISER: Dramatically.

11 SENATOR JONES: How much?

12 MR. KAISER: Twenty percent on
13 the board, and then additionally at the
14 farm gate where we're taking negative
15 bases of up to fifty, sixty cents a
16 bushel, so you're talking twenty-five
17 percent. And I don't believe we've seen
18 anything yet. If they do not come back
19 and get into our market, we are going to
20 have so much carry over that we're not
21 going to have anywhere to go with these
22 soybeans.

23 And, then, the farmers are

1 going to try to switch over to corn, then
2 you're going to have an over production
3 in corn, it's just going to be a domino
4 effect. And our farms are so close to
5 breaking even or just -- if we -- if our
6 farms were not being collateralized by
7 our land right now, most of them would
8 be -- they would be broke.

9 SENATOR JONES: And feel free
10 to chime in. And all of it's -- by the
11 way, this is a discussion, so if anybody
12 wants to chime in, don't feel like you've
13 got to wait for me to give you a question
14 or something. I want to have a dialogue
15 here because we've got some of the
16 specialists and interests in how the
17 tariffs are helpful to the guys on the
18 end of the table, that's why I put them
19 there. But, so, please, chime in.

20 But you also mentioned another
21 thing about China, which is very
22 concerning, and that is with all of the
23 markets that we've built, but especially

1 farmers, it has taken years to build
2 those markets in China. And you might
3 want to talk a little bit about those
4 efforts. And my fear is, particularly
5 with soybeans, but it also would be true
6 of a number of things, China is investing
7 so much money around the globe and
8 particularly in Brazil, that if we don't
9 get those markets back from China pretty
10 soon, they may be gone permanently, which
11 would have a devastating effect, so.

12 MR. PENRY: Yeah, for cotton,
13 I've some information here about our
14 consumption; it's on pace to set an all
15 time world record, and it is, I mean,
16 they're using more cotton now than they
17 ever have world wide. And, then, in
18 September, we talked about U.S. trade,
19 India's cotton exports to China may see a
20 five fold jump because of our, you know,
21 so Indiana is right there, they had a
22 great cotton crop, so they're just going
23 to step in and take it, just like the

1 Ukraine took it, took our grain after the
2 Russian Grain Embargo, you know, we never
3 recovered from that.

4 SENATOR JONES: And we've got
5 a problem in south Alabama with cotton
6 crops over there on the eastern side that
7 just got devastated. I was down there
8 recently and that's --

9 MR. PENRY: Sure, you had a
10 drought in west Texas when they were
11 trying to plant in the growing season,
12 and then you had a wet harvest, so they
13 had a terrible crop and that's seven
14 million acres right there, that's a lot
15 of the cotton growing area in the world
16 aside from India. And, then, you have
17 Georgia's crop decimated by Hurricane
18 Michael over there, and that's the second
19 largest cotton producing state in
20 America. And our prices have not -- have
21 not reacted.

22 The USDA cut our production by
23 seven percent across the board, but the

1 export numbers and the ports -- and the
2 ship that's leaving the port are so
3 terrible, that our prices actually went
4 down. So not to mention you lost half
5 your crop to rain and wind and dry
6 weather, the other half that you do get
7 to sell, you know, the price is not, you
8 know, the price is not acting like it
9 should because our exports are so
10 terrible.

11 SENATOR JONES: And there have
12 been some manufacturers that have moved
13 their plants away. I know Harley
14 Davidson was the most celebrated one by
15 old folks. It's hard to get a farmer to
16 move his crop, it just -- can't happen.
17 Particularly, with the agriculture, what
18 have you seen down at the port?

19 MR. LYONS: Well, we have seen
20 -- and this is one of the examples that
21 we have absolutely seen and will see this
22 season. Our grain export season begins
23 in October, with the harvest beginning

1 and usually goes through about March, and
2 that's when the South American crops come
3 in and they -- the market shift down
4 there. But we normally would have
5 handled in October, six to seven
6 shiploads of soybeans going to China, we
7 handled three.

8 We are looking at a very bad
9 grain season, probably -- not probably,
10 I've been at the port for twenty years
11 now, and it's absolutely the worst, and
12 not by a small margin, we can be very --
13 as much as half of what we normally do.
14 And what -- one of my fears that has
15 recently surfaced is the new
16 president-elect of Brazil has declared
17 he's going to open up some land that has
18 previously been held off for farming for
19 additional grain farming in Brazil.

20 And as you mentioned, we lost
21 a lot of our wheat market when we had to
22 put the embargo on the Russians back in
23 the seventies, and that really kind of

1 put the South American crops on the map,
2 and Ukraine and other parts of the world.
3 And what I fear is we could actually be
4 permanently displacing a great deal of
5 our agricultural industry.

6 Lumber is another agricultural
7 product that we've seen. We were
8 exporting a lot of pine lumber from the
9 southeast, and lot of -- most of it
10 coming out of Alabama, a little bit out
11 of Mississippi and the Florida panhandle,
12 but we have seen virtually nonexistent
13 lumber exports, just dried up to nothing,
14 going to China. And, so, again, you
15 know, they're going to find -- they're
16 going to buy the lumber somewhere and
17 where is that going to be? Well, right
18 now we could find our timber industry
19 decimated. Right now they're able to
20 sell the -- the -- luckily, the domestic
21 market is pretty good right now, but
22 we're going to have another housing bust
23 sometime and when that happens, we're

1 going to see sawmills go out of business.

2 SENATOR JONES: I think one of
3 the reasons I wanted to start with
4 agriculture a little bit here is because
5 these markets have been built up for over
6 twenty, thirty years now, and it's been
7 -- it's one of those things, the rug can
8 get pulled out from under you real quick.
9 And, so, the point is every one wants a
10 fair trade, free trade, every one wants
11 to make sure we're protected and the
12 point of all this is let's just get it
13 done.

14 I think -- I think Jimmy, you
15 said earlier that it was this -- the
16 shotgun approach has just not been as
17 coherent as we'd like to see. The goals
18 are there, but the time is drawing nigh
19 that we are going to, you know, the
20 uncertainty and the loss of markets is
21 really going to be potentially devastated
22 if we don't move pretty, pretty quickly.
23 So part of this hearing is just an

1 encouragement to our trade
2 representatives and the administration to
3 let's just go ahead and figure where we
4 are, so that we can get things done.

5 But I want to move a little
6 bit now to -- we'll come back, and again,
7 y'all chime in, to the automotive
8 industry, and that's a -- the steel and
9 aluminum tariffs also affect the
10 automobile industry, but it's the -- I
11 take it, though, that the real concern
12 among our automobile manufacturers is
13 really the automobile tariffs that are
14 being proposed.

15 This week the president met
16 with trade representatives and his staff
17 and the commerce secretary, the report on
18 the automobile tariffs has been -- is not
19 yet available. They apparently had some
20 preliminary report, but we're not going
21 to hear anything for a few months it
22 looks like. So I'd like to talk a little
23 bit about the growth of the industry, and

1 particularly, there's a couple of things
2 that I'd like to clear up. Because on
3 the one hand, there is the question well,
4 this is only going to affect import,
5 those cars built in Japan, those cars --
6 those cars built in Germany, it's not
7 going to affect Vance, Alabama, or
8 Montgomery or Huntsville. I want to
9 address that, so each of you can address
10 that a little bit on how these will
11 affect the plants here in Alabama, and
12 also where the markets -- where you see
13 the markets going.

14 And while we've got folks
15 here, I mean, we're talking about the
16 automobile tariffs, but let's talk a
17 little bit and let Mr. Sansing and
18 Mr. Lee talk about the steel and
19 aluminium and how it might affect you
20 guys somewhat. And we'll just get a
21 little bit of -- so let's talk a little
22 bit about, you know, the decision to come
23 to Alabama. This is just another aspect

1 I'd like for y'all to address.

2 The other thing we're hearing
3 is that these tariffs will encourage more
4 manufacturers to come to the United
5 States to build. Well, that's been
6 happening anyway. I think we're sitting
7 here at the table with groups that I
8 think represent that.

9 When we -- when Senator
10 Alexander and I introduced the bill in
11 the senate about the automobile tariffs,
12 he made a point of talking about the fact
13 that Tennessee has also been so dependent
14 on automobile manufacturing. So it's not
15 like that the automobile industry in this
16 country has not been growing I think by
17 leaps and bounds. I mean, you only look
18 -- when did y'all open up in Vance?

19 MR. CLEMENTZ: A little more
20 than twenty years ago.

21 SENATOR JONES: Okay. Twenty
22 years, and look where we are in just
23 twenty short years. So I'd like for you

1 to maybe address that and I don't know
2 who wants to start first on some of
3 those. I threw out a bunch of names, but
4 I'll let you go.

5 Mr. Fernandes is grabbing his
6 microphone. And also mention about how
7 it affects your plants. The other thing
8 we're seeing and hearing, everybody is
9 getting new lines, you're expanding new
10 plants, and folks are saying, well, wait
11 a minute, this must not be so bad,
12 everybody is putting more money in here.
13 So let's talk about that a little bit,
14 too.

15 MR. FERNANDES: Yeah. Of
16 course, Toyota's decision for expansion
17 in Alabama happened long before
18 discussions with NAFTA and tariffs and
19 all those kind of things took place. So,
20 you know, it's been a long time that
21 we've been talking about some of these
22 expansions. The growth in Alabama is
23 amazing, it absolutely is amazing. And

1 to me, I think Alabama is a state that's
2 really benefited from the automotive
3 industry coming to the south and growing
4 in the south, so I think that's awesome.

5 I think you have to look at
6 this as a wholistic -- with a wholistic
7 view point, you know, steel and aluminum
8 tariffs for example is one piece of it,
9 but foreseen, those are actually adding
10 cost to our product. We're seeing
11 interest rates go up, that's another
12 piece that's adding cost to the product.
13 And in addition to that, if tariffs come
14 about at twenty-five percent, we're going
15 to see, you know, an additional impact to
16 the cost of our product.

17 So the customer I think is
18 very important, so, you know, what we see
19 is when the vehicle costs go up, that the
20 customer base goes down, and that could
21 impact anybody.

22 SENATOR JONES: Could that
23 impact your production of a new plant in

1 Huntsville?

2 MR. FERNANDES: Yeah,
3 absolutely, absolutely. And I think
4 eventually if you take the long view, it
5 could impact even steel and aluminum that
6 may be doing well at this point because
7 if the demand on products goes down, then
8 the demand on steel and aluminum will
9 also go down.

10 For our plant in Huntsville
11 that's coming, the Mazda Toyota joint
12 venture, that's going to be a Corolla
13 vehicle, that's a small vehicle. Some
14 auto manufacturers have actually gone out
15 of, you know, producing small vehicles in
16 the U.S., so we totally believe it's
17 about competition. We want to produce
18 the vehicles where we build them and
19 where we sell them, and that's one of the
20 reasons why we're building Corolla there,
21 but it's going to be a very price
22 competitive product.

23 SENATOR JONES: Anybody?

1 MS. EDWARDS: And we agree
2 with that from Honda's perspective. And
3 also, just right now we don't know what
4 the rules are. So we have uncertainty,
5 and so uncertainty means we're not going
6 to make decisions right now, we're
7 holding off. And all of our supply
8 chains, our pipelines, take years to
9 develop and take years to change. And
10 right now we just don't know. I love
11 Alabama, I'm from Alabama, this is my
12 home state. My family has been here
13 before it was a state. I think it's been
14 great for the state, but I think this is
15 not great. And to say that -- that we're
16 all a national threat? I -- I just don't
17 get it.

18 MR. BURNS: Senator, Hyundai
19 is essentially a vertically integrated
20 company because we do, yes, manufacture
21 our own steel that comes from Hyundai
22 Steel through the Port of Mobile. And,
23 so, for us, as Allyson just pointed out,

1 to change that supply chain overnight is
2 very difficult. And, yes, the impact of
3 increased cost of steel does translate
4 into higher vehicle prices. So we are
5 certainly sourcing steel from U.S.
6 manufacturers, like U.S. Steel, we're
7 probably in the realm of around forty
8 percent U.S. content right now. So we're
9 making those adjustments, but, as Allyson
10 pointed out, we need to understand the
11 rules before we can make real business
12 decisions, long-term business decisions.

13 As I said in my remarks, yes,
14 the USMCA gives us some guidelines, we're
15 assessing those guidelines to understand
16 how we can manage our business with the
17 trilateral agreement. So we're hoping
18 that, that moves in a direction that
19 supports us long term. But Section 232
20 is just a very, very difficult situation
21 for our company.

22 SENATOR JONES: You've also
23 got electric vehicles headlining, too.

1 MR. CLEMENTZ: That's correct.

2 SENATOR JONES: And -- and are
3 those decisions -- I know they're not on
4 hold, but I assume also the uncertainty
5 gives you some pause.

6 MR. CLEMENTZ: Yeah, so, it
7 takes about seven years for us to build a
8 vehicle, and we start planning about
9 three years before that, so it's about a
10 ten year cycle. And, so, like every one
11 else has echoed, quick changes are not
12 easy for our business to adjust to
13 because there's so much capital involved.
14 We're investing over a billion dollars
15 now, so that we can build electric
16 vehicles by 2022.

17 MR. LEE: I'm not in the
18 position to speak about the tariffs on
19 the automobiles because that's not what
20 we do, but I'd like to speak a little bit
21 about the tariffs on steel that go into
22 automobiles. For just back of the napkin
23 math, just some -- let's do some math

1 real quick. What's the typical
2 automobile, two thousand pounds or
3 something like that? So basically a
4 thousand dollars a ton average is what
5 the cost of steel that goes for the
6 automobile. Let's just bear -- bear with
7 my generalization. So a thousand dollars
8 a ton in an automobile, an automobile is
9 a thousand -- is a ton. So a thousand
10 dollars of steel in an automobile. If
11 there's a twenty-five percent tariff
12 added, which there is, we're talking two
13 hundred and fifty dollars. So the
14 additional cost of steel that goes into
15 automobiles is two hundred and fifty
16 dollars. On a forty thousand dollar
17 vehicle, yes, that is not zero, but that
18 doesn't seem like it's insurmountable
19 with the incredible amount of money that
20 is a tailspin industry.

21 Me, I'm a steel guy, maybe it
22 will, but it just doesn't seem like that
23 would. Maybe you guys can help me with

1 that, understand better.

2 MR. FERNANDES: Yeah, I don't
3 know the exact numbers either, but I
4 think, as I mentioned earlier, I think
5 it's just a compound effect of
6 everything, so I think, you know, steel
7 and aluminum materials is one piece of
8 it, I think interest rates going up is
9 another piece of it, I think a potential
10 twenty-five percent tariff is another
11 piece of it. So I think it's just a
12 compound effect of all this that's going
13 to make it more difficult for customers
14 to buy a product, therefore, the decrease
15 in the demand, that's going to be a big
16 impact to employment.

17 SENATOR JONES: Brent, you
18 mentioned in your written testimony I was
19 looking at yesterday, that there has been
20 some movement in the steel industry away
21 from tariffs, but more import quotas, can
22 you talk about that a little bit, expand
23 on that and how that might relieve some

1 of the pressure. It will boost prices I
2 assume, but not to the same extent maybe
3 as a twenty-five percent tax.

4 MR. SANSING: For example, in
5 the tubular industry that I'm so closely
6 associated with, the South Korean
7 producers are impacted by a quota, and it
8 was based on previous years of
9 performance and they are for the first
10 quarter of 2019 making -- bringing in
11 more than thirty percent of that annual
12 number, and in the second quarter it's
13 the same. That's anticipated to help us
14 achieve some pricing stability,
15 especially in, you know, what we do,
16 which is oil country tubular goods and
17 standard and line products. The vast
18 majority of what we produce is U.S. land
19 based, oil shell drilling activity, so
20 that's oil country tubular goods and
21 standard line pipe that move it from the
22 oil fields to the refineries.

23 The market had been so

1 decimated by what had been imported, that
2 it literally was not a business we could
3 sustain, we couldn't make money. How can
4 a company overseas produce and ship all
5 the way across the ocean, import into
6 Texas cheaper than I can produce it right
7 here in Birmingham, Alabama? And that
8 was the reality of what we were dealing
9 with.

10 SENATOR JONES: Now, was that
11 primarily from China or were European
12 countries or Canada also --

13 MR. SANSING: European
14 countries are not as big a player in our
15 U.S. market. The Chinese and the Koreans
16 certainly are. And they're -- they're
17 very big in the business. And in fact,
18 you know, we don't know the quantities,
19 but we know that because of the 232 that
20 was put into effect, they have materials
21 sitting right now in bonded warehouses
22 that will be on the market here in the
23 U.S. January 1, as soon as the quota

1 resets. And, of course, for us, and I
2 heard it from the automotive
3 manufacturers here and, Senator Jones,
4 you'll appreciate these people are my
5 customer base, they're important
6 customers of United States Steel and we
7 want to do everything to support them.
8 What I hear from them is the same thing
9 that U.S. Steel feels. The instability
10 in the market kills us. Not knowing
11 what's going to come next year or the
12 year after, because we have long term
13 investments.

14 Just like making automobiles
15 is a long-term process with a lot of
16 investment on the front end, so is making
17 steel. Building facilities to
18 manufacture steel is a long term process
19 and it's very expensive for us to do. So
20 for us, it's the stability. We need the
21 market, a level playing field. And I
22 very much appreciate what Mike said
23 earlier. United States steel

1 manufacturing can compete with anybody
2 in the world on a level playing field,
3 but it's been a long time since we've
4 seen a level playing field. And the
5 folks at the table today are concerned
6 about what might happen to their
7 business. I can tell you what has
8 happened to our business.

9 SENATOR JONES: Okay. Well,
10 that's what we're trying to avoid for
11 those and try to help you guys a little
12 bit.

13 Jimmy, the docks is also
14 expanding for automobile -- don't you
15 have the new dock coming in or a specific
16 area for automobiles because the Alabama
17 industry has gotten so big?

18 MR. LYONS: Yes, we --
19 correct. We're building an automotive
20 handling facility, it's a -- we are
21 beginning the demolition phase and be
22 online in mid 2020. And, so, that's
23 another way that we hope we can support

1 the automotive industry. And we have no
2 commitments yet, but, you know, we're
3 basing our investment decision based on
4 what we -- the market that we had. And
5 we don't know what that market is going
6 to be. And, so, but we're still going to
7 go forward and a fairly large investment
8 for us. Not a large investment in the
9 scale of an automobile plant or a steel
10 mill or a new line at a steel mill, with
11 this electric car furnace or re
12 activating a blast furnace, but it's
13 still a large investment for an
14 organization my size. And, so, it does
15 cause me some concern. If we open up
16 this facility and there's no market.

17 SENATOR JONES: Back to my
18 automobile guys for a moment. The
19 President talks about a goal of promoting
20 more manufacturing in the United States,
21 and we've seen such growth anyway, but is
22 it really practical for global auto
23 makers to just continue to put

1 manufacturing in the United States and
2 not have it in either your home countries
3 or other places around the world in
4 today's global economy? I don't know if
5 anybody is best to answer that.

6 MR. BURNS: Well, I think all
7 of us try to find that balance depending
8 on what model it may be, is it a niche
9 model which may be better built, in our
10 case, in Korea, for global distribution
11 or is it more of a Sonata or Santa Fe,
12 which are consistently top sellers in the
13 U.S. market, so therefore, it's more
14 efficient for us to have them in the
15 market in which they're sold in. Which
16 of course, exported, as I said earlier,
17 whether it be Mexico or Canada and even
18 Puerto Rico. So each one of us, you
19 know, a business model, dictates what is
20 going to be best for us. So we look at
21 long-term, what is the opportunity within
22 the U.S. market, and that basically, what
23 is that break even point for us versus

1 bringing them into the U.S. market.

2 So more than half of the
3 vehicles we build in Alabama are sold in
4 the U.S. market, and that could improve
5 over time depending on what the market
6 says. I mean, any one of these auto
7 makers remember '08, '09. And you're
8 talking about U.S. Steel? The U.S. auto
9 market took a huge hit in '08, '09, in
10 the great recession and we had to adjust
11 for that. So, now, we're looking at
12 Section 232, and those activities, will
13 they impact the overall business? So
14 it's tough for us to make a solid
15 business decision with that in mind.

16 SENATOR JONES: Can y'all
17 address a little bit of what I've been
18 hearing about the -- the -- I'm going to
19 call it the new NAFTA, there's new
20 initials for it for whatever it might be,
21 but can y'all address what you're hearing
22 about the new trilateral deal with Canada
23 and Mexico and how that might affect your

1 industry, particularly in the south, in
2 the United States, in Alabama?

3 MS. EDWARDS: I can go first.
4 So we agree that NAFTA -- we understand
5 the need to modernize NAFTA, it was an
6 old agreement that needed to be
7 modernized and we certainly support that.
8 It's not been signed, we look forward to
9 it being signed, we're still studying it.
10 So we do believe that it will add more
11 cost of compliance, so we do believe even
12 this, which we're thankful to have
13 something, will have increased cost
14 because of the increased compliance
15 measures.

16 MR. FERNANDES: Yeah, I'll
17 just add to that, I mean, for
18 specifically for my plant in Huntsville,
19 two hundred and fifty thousand of my
20 engines last year were actually shipped
21 to Canada and end up in vehicles that
22 then came back to the U.S. And over a
23 hundred thousand of mine just went to

1 Mexico. So, you know, NAFTA is a huge
2 deal for our Alabama Huntsville plant.
3 Without being able to ship products to
4 those vehicle plants, which, you know,
5 Toyota is a big company and has vehicle
6 plants in Canada and Mexico, we have to
7 have a fair trade, etrade kind of system
8 in order to support our plant here.

9 SENATOR JONES: Is the ratios
10 on the point of origin, is that a good
11 thing for you?

12 MR. BURNS: Well, we're having
13 to adjust, like every one is going to
14 have to adjust. But Hyundai right now,
15 we have about a hundred suppliers in
16 North America, we have thirty-five that
17 are Korean companies that came with us
18 and became part of the supply chain right
19 here in our region, which I mentioned
20 that automotive corridor between
21 Montgomery and Atlanta or our Georgia
22 plant in West Point. And we had some
23 suppliers in Mexico and Canada as well.

1 So generally speaking, what we looked at,
2 as Allyson pointed out, we're still
3 assessing how we are going to be able to
4 meet that long range target relative to
5 the amount of regional value content for
6 each one of our vehicles.

7 And, so, it's going to be an
8 interesting dynamic as we work our way
9 through that and try to, yes, we have an
10 intent to localize as many cars as
11 possible to go beyond the current number
12 of about a hundred suppliers in the U.S.
13 market to be able to achieve those
14 targets.

15 MR. LEE: Senator, we -- we're
16 in -- we were in support of the old
17 NAFTA, and we are additionally in support
18 of the new NAFTA, which is USMCA. What
19 we see it doing, and it's not signed yet,
20 but we see it helping stabilize the use
21 of North American steel in the
22 manufacturing of automobiles or
23 manufacture of anything in U.S., Mexico,

1 and Canada, so we see those.

2 SENATOR JONES: Good. I want
3 to switch gears just a little bit,
4 Mr. Jones. You're coming at this from a
5 little bit different angle and you've
6 had -- you're dealing with, and you
7 talked about it a little bit, with having
8 to deal with the agencies to try to get
9 somewhat of a exclusion on products that
10 are not going to really save a lot of
11 jobs, and the United States will protect
12 jobs because everything you're getting is
13 there's -- there's no manufacturing here.

14 MR. JONES: Correct.

15 SENATOR JONES: Tell me --
16 okay. Let's go a little bit more, if you
17 could, talk about your experience with
18 trying to seek this exclusion, I know our
19 office and maybe others trying to help.
20 But what's been going on with the
21 exclusion? Because one of the things
22 that I've also been concerned about is
23 that a lot of these tariffs get

1 announced, and then there are just
2 hundreds, if not thousands, of requests
3 for exclusions, which there doesn't again
4 seem to be a lot of rhyme or reason about
5 what's going into making that decision.

6 So can you elaborate a little bit?

7 MR. JONES: Well, locally and
8 from a state, also regional issue, quite
9 a bit of support. However, the process
10 itself, just given the application is not
11 very straightforward. So there's no time
12 lines and these tariffs are quite large
13 on our product. So it doesn't, with
14 everybody else, doesn't really allow us
15 to do any kind of financial planning or
16 forecasting, you know, that combine with
17 the price of oil per barrel, which
18 directly impacts our bottom line creates
19 a whole lot of uncertainty. So we have
20 the process of actually applying for the
21 tariffs has been a -- has been
22 cumbersome, to say the least, I mean,
23 there's no time frames on how quickly it

1 goes through or who is evaluating it or
2 what criteria they're looking at.
3 Because in our specific case, you know,
4 like a -- it's a mouthful, coiled
5 seamless super duplex stainless steel
6 tubing. If it were domestically
7 supplied, we would be using it.

8 So part of it is just like
9 who's evaluating this process of these
10 applications and defining what is here
11 what isn't here? And the other part is
12 who to speak with? There was nobody
13 really directly within that you could
14 reach out and touch to ask questions for
15 your industry security. There was some
16 names provided on the website, but I
17 haven't really picked up the phone. So
18 it's been a really vague process to sit
19 there and wait.

20 SENATOR JONES: Well, that's a
21 problem.

22 MR. SANSING: You know, for
23 our part, Senator Jones, we have no

1 objection to companies acquiring what
2 they need if we don't make it here. U.S.
3 Steel has been an active participant in
4 232. We replied very quickly, very
5 timely, and we only -- we only comment on
6 the items that we're capable of making,
7 products that we can make. Fewer than
8 ten percent of all the exclusions we
9 didn't comment on. So for our part of
10 it, we're only going to comment on the
11 items that we know that we can make and
12 we will get you to companies going out
13 and getting it if it's not made. Maybe
14 there's a market for us.

15 SENATOR JONES: Do you know if
16 out of the ten percent that you've
17 commented on, do you know what the
18 results of that has been, have those been
19 denied in all of the cases or some of the
20 cases?

21 MR. SANSING: I do not know.
22 That's something we can look up for you.

23 SENATOR JONES: Okay. Great.

1 You mentioned that the new furnace you're
2 talking about, would you talk about the
3 change in technology a little bit in the
4 steel making industry and how that
5 positioned you guys to be competitive in
6 a price base that could help these guys a
7 little bit if we can get the tariffs
8 under control and just get that price
9 stability, it should help the planning
10 for everybody a little bit.

11 And I know the steel making
12 industry is not my dad's old steel making
13 industry, it's not the Old Cotton Time
14 Mill that I about killed myself in.

15 MR. SANSING: Your dad taught
16 you a lot about it.

17 SENATOR JONES: Yes, he did.

18 MR. SANSING: He was very
19 good.

20 You know, blast furnace
21 technology is -- is very well known in
22 our world. We take rocks out of the
23 ground and we refine it to iron, and then

1 we, you know, bring it over there to the
2 (unintelligible) facility and process and
3 refine the steel, and it runs through,
4 you know, for my part of the business,
5 rounds casting and for automotive and
6 other suppliers through slab testing and
7 hot (unintelligible) operations. And so,
8 you know, the blast furnace, which was
9 number eight at Fairfield, a very good
10 blast furnace, one of the most efficient
11 in the company, but was beginning to show
12 its age, and we saw an opportunity to
13 really revitalize Fairfield's facility in
14 a way that was, you know, going to be the
15 future for us for the next several
16 decades.

17 The electric car furnace would
18 be capable of supplying over one point
19 two million tons of steel annually, it
20 would be directly coupled to the rounds
21 caster and slabs caster at Fairfield. It
22 really would have been -- and I'm
23 optimistic personally that we will do it,

1 our president and CEO, David Burritt, has
2 stated, it's not a question of if, it's
3 merely a question of when.

4 But much to the comments
5 earlier, we have to see some stability in
6 the market. We've got to be confident
7 enough that the remaining couple of
8 hundred million dollars that we need to
9 invest are going to be the wise
10 investment for our shareholders. And
11 with the volatility in the market, we
12 have yet to make that decision. I look
13 forward to it, I'm personally very
14 optimistic that we're going to do it.
15 And when I share that history and
16 background there in our home town, I
17 certainly want it. I've seen an awful
18 lot in my career of U.S. Steel shrinking
19 and I'd like to grow it, I'd like to see
20 that return in central Alabama.

21 SENATOR JONES: Even though
22 some of the old timers still refer to it
23 as TCI.

1 MR. SANSING: Yes, they do.

2 SENATOR JONES: Tennessee Coal
3 and Iron.

4 MR. SANSING: Tennessee Coal
5 and Iron.

6 SENATOR JONES: Mr. Lee, how
7 about up in Decatur, is Nucor looking at
8 any kind of -- is there any instability
9 that's causing y'all to hesitate right
10 now until you see how this settles out in
11 terms of expansion or are you running and
12 gunning pretty good?

13 MR. LEE: Running and gunning?
14 I wish we were. No, you know, things --
15 things are okay. They are better than
16 they've been. Talk a little bit of
17 history here. The U.S. steel industry,
18 and the most of the steel -- and not U.S.
19 Steel, but the United States, as a whole
20 industry, annual production record was a
21 hundred and fifty million tons. Guess
22 what year that was? 1973.

23 SENATOR JONES: Wow.

1 MR. LEE: So in the last fifty
2 years, the annual production of our
3 industry is now in the nineties, so it's
4 down sixty, sixty million or so. The low
5 point was the 2009, I think somebody
6 mentioned it earlier, like sixty-nine
7 million. So it has significantly
8 impacted the steel industry as we all
9 mentioned. So here we are ninety million
10 tons, and China, for example, is close to
11 a billion. They export -- in years,
12 they've exported more than our entire
13 industry. Yes.

14 So, I'm making a long story
15 short. Where are we? Things are okay,
16 things are going well. We are investing,
17 we have capital projects around our
18 company in Hickman, Arkansas, in -- in
19 Berkeley, South Carolina, and a couple of
20 other different facilities.

21 I mentioned how much money
22 we've been investing over the last few
23 years, over eight billion dollars since

1 2008, actually probably a little more
2 than that. We -- we think the industry
3 is fine. We think that if you look at
4 GDP growth and where it is today versus
5 where it's been, it's pretty strong. Our
6 customers are doing well, a lot of our
7 customers are having record years or
8 almost record years. Twenty-four of our
9 twenty-five top companies are having
10 record years. We see 2019 being similar
11 to 2018 as far as reliability of -- the
12 reliability of the -- of the industry.

13 So to answer your question,
14 things are okay. Capacity of the steel
15 industry is up over eight percent for the
16 first time in a long time, which is --
17 which is good, it's not great. I mean,
18 eighty percent on a highly capitalized
19 mill like the Decatur sheet mill or some
20 of the bigger mills in our company,
21 that's tough to make money at that
22 number. You know, it's easier when you
23 have some of our smaller mills that

1 aren't as highly capitalized, they do
2 better at eighty percent. But for a big
3 mill like Decatur, and I offer you an
4 opportunity to come visit any time you'd
5 like see what the new steel industry
6 looks like. We offer any time, come
7 visit.

8 SENATOR JONES: Thank you.

9 MR. LEE: But, no, so we're
10 doing okay. We feel pretty good about
11 where we are today, where we'll be next
12 year.

13 SENATOR JONES: I want to turn
14 briefly, because -- and mention something
15 that nobody really likes to talk about.
16 But we've seen a really great economy in
17 the last few years, it has been steadily
18 going up, unemployment down, wages have
19 begun to rise, although not as fast as
20 people would like, hint, hint, hint for
21 all of you. But there's also some
22 growing concern about the economy maybe
23 overheating, there may be, you know, that

1 this is not going to last a little bit,
2 and if we -- if we start seeing a
3 downturn in this economy a little bit,
4 how -- are we looking at a double whamey
5 if that happens for your businesses with
6 increased tariffs and increased
7 uncertainty? And maybe not to the extent
8 that we saw in '08, hopefully, that was
9 kind of generational thing is behind us,
10 but I do think it's important to talk
11 about down the road because we don't know
12 what the future is going to hold for the
13 American economy today or tomorrow. So
14 anybody? Nobody?

15 MR. LEE: I guarantee you one
16 thing, I guarantee you the industry is
17 going to go down at some point.

18 SENATOR JONES: Yeah.

19 MR. LEE: Our industry is
20 cyclical. I mean, you just look at it
21 since the beginning of the steel
22 industry, back when your -- was your
23 grandfather in it, too?

1 SENATOR JONES: Oh, yeah, and
2 most of my family.

3 MR. LEE: Okay. So since then
4 to today, it's cyclical and that's going
5 to continue. There's nothing we can do
6 about that. Hopefully we will never have
7 a 2009 again, I agree, Senator. But
8 right now we're feeling a little weakness
9 in the market, but that's typical this
10 time of year, seasonality, end of the
11 year stuff, people don't want inventory,
12 all that kind of things. But what
13 happens when once beginning the first of
14 the year or when a customer is back
15 logged in first of the year, which is
16 going to be a couple of weeks, they start
17 really, uh-oh, I need to order something
18 and the market will pick up. So is it
19 going to happen? I guarantee you it
20 will, but that's just the nature of our
21 business and the nature of what we do.
22 And we weathered those storms many times,
23 over and over again. We know how to

1 handle it. In fact, when things get
2 really soft and really slow, that's when
3 we do our best work.

4 And Nucor is an interesting
5 company, we don't layoff, we keep guys at
6 work, keep guys working. So when times
7 get really slow, that's when we do all
8 kinds of product development and trying
9 to figure out how to make armored plate
10 for example and things that are exotic
11 and we don't know how to do yet. But we
12 do it when we have the time on the mills
13 and we mess it up a bunch, but at the end
14 of the day we figure out how to make it,
15 so we can service many of the folks at
16 this table with products that are very
17 difficult to do. So it will happen.
18 We'll weather that storm, we'll come out
19 of it better than we went into it.

20 SENATOR JONES: Hopefully you
21 can weather the storm better, though, if
22 we get a little bit more certainty on
23 where we are n all of this. Is that a

1 fair statement for everybody?

2 MR. FERNANDES: Yes, Senator,
3 and I'd like to just add the comment, I
4 think it's a -- I think we want to avoid
5 things like tariff disputes, the market
6 and the uncertainties around all those
7 kind of things. I think that's what --
8 that's at least what this round table is
9 saying is that the uncertainties are very
10 difficult for us to think about capital
11 investments and those type of things that
12 we want to consider going in the future.
13 And I think that's why you see the
14 markets fluctuate on a daily basis right
15 now, because people just don't know, they
16 don't know what's going to happen. And
17 it seems like when we talk about tariffs,
18 a twenty-five percent tariff, it
19 continues to spook everybody, right? It
20 continues to just there's -- there's like
21 no sight of when this things ends. And,
22 then, for some of the auto manufactures
23 to be considered a -- an automobile to be

1 considered a security threat it's just
2 crazy to all of us.

3 So, you know, I think
4 basically the stability, to understand
5 what's going to happen in the future
6 would help everybody and would keep this
7 current great economy going. I don't
8 know why they want to spook it or why
9 anyone would want to spook it.

10 SENATOR JONES: I agree. We
11 are about out of time, but we're not
12 taking questions. We can't take
13 questions from the audience. I'm sorry.

14 I'd like to give anybody an
15 opportunity, though, if we haven't
16 touched on something that you feel like
17 is important to bring out, again, we'll
18 leave the record open, but if there's
19 something that anybody wants to mention
20 today, I think you've done a pretty good
21 job of talking about the effects on the
22 port, we've heard from farmers and we've
23 heard the interplay. But has anybody got

1 anything that you -- that we haven't
2 touched on that you want to kind of add
3 to the record today and we can always
4 supplement later?

5 MR. FERNANDES: I would just
6 like to add, I just want to thank you
7 because you've been proactive on this
8 topic. There's a lot of politicians and
9 I think they're staying behind the
10 scenes, not talking about tariffs or
11 talking about those other things that
12 we're all concerned about, and I just
13 want to commend you for being open and
14 hosting things like these round tables
15 and being open to discussion.

16 SENATOR JONES: Well, I wasn't
17 looking for a compliment, but I
18 appreciate it. And I do -- I do hope
19 people -- in all candor, I think part of
20 that, you know, the mid terms, you go
21 into an election, it's always a silly
22 season and people tend to play their
23 cards a little bit closer to the vest.

1 Hopefully, as we get into a new congress,
2 we'll see some more activity. I mean, I
3 commend my colleagues like Senator
4 Alexander, helping me with the automobile
5 tariff, Senator Portland and Senator
6 Ernst on the national security provision
7 of these, because I do believe over the
8 years, and I've studied a lot about
9 tariffs, that administrations on both
10 sides of the aisles have kind of been
11 fast and loose on this national security
12 issue over the years and we're looking to
13 maybe change that a little bit as well.

14 So anybody else? I'll give
15 you another opportunity. Mr. Kaiser?

16 MR. KAISER: Yes, I just
17 wanted to talk about, we were already in
18 trouble with low prices, this is going to
19 take us over the cliff. We need to
20 take -- we need them to take a hard line
21 on negotiations, unified, and get it
22 taken care of because the only thing that
23 we can do in our industry to survive is

1 open up new markets. We've got to have
2 these discussions with these other
3 countries and open up markets for all the
4 agriculture that we're producing in the
5 United States. And if we don't do that,
6 we're going to see a downward spiral.

7 We've been locked out of China
8 for fifteen years on the beef market.
9 And they're not -- when we were -- in
10 2003, we were the number one beef
11 supplier. There was a mad cow scare and
12 they knocked us out ever since. They
13 were importing twelve thousand tons then,
14 very minimal. They're doing over a
15 million tons now and we don't do any. So
16 we've got to do something to open these
17 markets.

18 SENATOR JONES: I do know that
19 there was some discussion with the
20 European union about maybe opening up
21 some markets, but and I'm not -- and I
22 may be speaking a little bit out of
23 school, but it didn't seem like it was

1 very much to really make a dent. And,
2 then, that's kind of been on hold a
3 little bit.

4 MR. KAISER: Last week their
5 trade man said agriculture is off the
6 table, it's a no go, industrial bids
7 only, don't even talk about it.

8 SENATOR JONES: Okay. There
9 you go.

10 MR. PENRY: These tariffs
11 directly affect our way of life. And,
12 you know, our business is a national
13 security issue as well. So when we
14 get -- when we get a government subsidy
15 or whatever it is to help our business,
16 because, you know, you got to be able to
17 feed yourself as a nation, it don't hurt
18 the steel people. I mean, this thing is
19 just all of a sudden overnight, boom,
20 we're in the crapper right now, and I
21 understand --

22 SENATOR JONES: That's a U.S.
23 government senate term, by the way.

1 MR. PENRY: We need steel in
2 this country to fight wars and make
3 whatever we need to make to protect
4 ourselves, but good luck eating. You'll
5 get hungry.

6 SENATOR JONES: Well, I want
7 to thank everybody for joining us today.
8 We're about out of time. I especially
9 want to thank Chairman Ron Johnson, and
10 ranking member, Clair McCaskill, for
11 allowing us to conduct this hearing here
12 in Mobile today. And I want to thank
13 again all our panelists.

14 We are going to leave this
15 record open until November 30th. I think
16 November 30th, so that if there's
17 anything, your submissions will --
18 testimony, written testimony will be
19 submitted. Anything else that you've
20 heard today you want to add to or if
21 there's something that we've missed and
22 you want to add to, it will be part of
23 the record and will certainly be

1 considered.

2 So again, I really appreciate
3 this. This has been an interesting
4 discussion and I hope it kind of brings
5 to light how connected we all are in this
6 economy. That includes the port and
7 things that you don't normally think
8 about when you talk about the tariffs,
9 the transportation, the supply chains,
10 everybody is affected by what's going on.
11 And particularly, I hope that it has
12 really brought attention to the plight of
13 our farmers, who are really struggling
14 right now. And we have got to do
15 something and I am very concerned about
16 their markets going away and going
17 somewhere else and that's going to be a
18 major problem.

19 So thank you all for being
20 here today. I appreciate it very much.
21 And with that, we are adjourned.

22 HEARING ADJOURNED AT 11:33 A.M.
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C E R T I F I C A T E

STATE OF ALABAMA)
COUNTY OF MOBILE)

I, LAURA R. FANT, do hereby
certify that the witness named above in the
foregoing deposition was present at the time and
place therein specified; that the said
proceeding was taken before me at the said time
and place, and was taken down stenographically
by me;

That the said proceeding was
thereafter under my direction transcribed into
computer-aided transcription, and that the
foregoing transcript constitutes a full, true,
and correct report of the proceedings which then
and there took place; that I am a disinterested
person to the said action.



LAURA R. FANT, CCR
CCR# 308, Expires 9/30/2019
Commissioner for the State of Alabama
My Commission Expires 10-20-2020

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