



Troy Roberts, CEO, Qualtek Manufacturing

**Remarks on
Section 232 Steel and Aluminum Tariffs
National Press Club, Washington DC
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My name is Troy Roberts, CEO of Qualtek Manufacturing in Colorado Springs.

I am also the First-Vice Chair of the Precision Metalforming Association, a trade association representing the \$137-billion metalforming industry of North America. Our more than 800 member companies also include suppliers of equipment, materials and services to the industry.

Qualtek has 74 employees. We specialize in providing stamped parts to the medical device and aerospace industries, using our intellectual know-how to make highly complicated products to precise dimensions. To meet demand, we have plans to increase our workforce by 17%, including hiring more tool and die makers and stamping press operators. We are also planning to invest up to \$1 million in new capital equipment.

From the passage of the tax cuts to their focus on workforce development, the Trump Administration has been very supportive of that effort, and we applaud them.

But now, with the announcement of the tariffs on steel and aluminum, we're taking a step back. Our investment in workforce and new equipment is now in doubt, because it hinges on the price and availability of our most important inputs, namely steel and aluminum.

Steel accounts for 50% of the cost for the typical parts we stamp and **15%** of the dies we make. As a result of the Section 232 tariffs on steel, our numbers now show an additional expense of \$182,000 for steel.

It doesn't stop there. Aluminum is 65% of the average part cost we manufacture. As a result of the Section 232 tariffs on aluminum, we now expect \$121,000 in aluminum price increases.

With these tariffs, our business will face a \$300,000 combined cost increase on our steel and aluminum raw material purchases. This is a huge blow to our company and to our 74 employees trying to grow our business.

That \$300,000 provides the funds to hire the 14 people we plan on hiring in 2018.

That \$300,000 provides the results to support investing \$1 million in new equipment that requires hiring 14 new skilled workers.

Qualtek strives to lead the industry in green initiatives, not just working to reduce emissions and increase recycling, but to make certain we use the latest cutting edge technology to keep us globally competitive.

Needless to say, competitively priced steel and aluminum underpinned by a stable supply is critical for our company to have a fair chance to compete in the global marketplace.

In this global economy, we operate on very slim margins. Even the slightest increase in our prices can eliminate our quote from consideration.

Let me give you a few examples of the impact of these tariffs on our company:

- For one customer, we produce 8.4 million parts **annually**. Since the tariffs took effect, the quoted price for material has increased 32% and the lead time for delivery of raw material has doubled to 14 weeks. When price and delivery times significantly increase, customers will start looking at other foreign suppliers who can deliver more timely and at a better price.
- For another customer affecting over \$2 million in sales to our business, the price of stainless steel increased 35% per pound and lead time for delivery of the steel increased from 7 to 13 weeks.
- These noted examples are the new norm. Our situation is not uncommon. As I mentioned, I am very active with PMA and I'm hearing countless similar stories repeated from other manufacturers across the country. We are all very concerned.
- In Qualtek's case, please note that the examples I provided are from US steel and aluminum companies, and not foreign producers!

As we all know, history has a way of repeating itself. As the previous speakers pointed out, the Section 201 tariffs levied in the early 2000's delivered the exact opposite result of what was intended.....a decrease in US steel capacity utilization occurred instead of increase and 200,000 US workers lost their jobs. As Ms. Baughman noted, over 400,000 US jobs are projected to be lost as a result of this Section 232 tariff. History does indeed repeat itself.

Qualtek purchases steel and aluminum produced in the United States. I suggest everyone in Washington take a closer look at the actions taken by the Aluminum Association that represents domestic aluminum producers. They are calling for a global forum to address global over capacity and to work with our trading partners to balance global capacity with current and future demand. This is a much more reasonable approach to address the root cause problem of too much production capacity in the global system. A tariff, or effective "tax" on US manufacturers, which

employ over 6.5 million American workers, that makes US manufactured products non-competitive in the global marketplace is NOT going to solve this global overcapacity problem!

We need apply the same logic for addressing global steel overcapacity. Steel producers are not in this alone. We need to all work together, globally, to effectively address our mutual concerns. Tariffs do not just hit competing steel producers overseas – they hit the domestic steel industry’s own customer base right here at home ... customers like us.

Finally, these tariffs are extremely counter-productive with respect to the progress made these past few years. The Administration did some great things. The tax cuts were a welcome development that were required to make the US corporate tax structure globally competitive. Business conditions in the United States have improved. We’re seeing overdue regulatory reform and a focus on apprenticeships and workforce development. But now, the Section 232 tariff’s impact on the cost and delivery of our most basic inputs are making us non-competitive. There is just no way to sustain expansion, develop new products and bring on new employees—as we thought we were going to do this year—in the face of what amounts to a huge tax being imposed on our inputs. My hope is somebody in the Administration figures this out soon before the consequences to our company—and to our whole industry—cannot be undone.