

**Oral Testimony of Dan Kendall, ABC Metals, Inc.**  
**August 5, 2019**  
**Hearing on Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute; USTR-2019-0003**

Thank you for the opportunity to appear today on behalf of our fifty-seven employees, their families, and the U.S. metalworking industry. My name is Dan Kendall, President of ABC Metals located outside Indianapolis.

Founded in 1973, ABC is a leading manufacturer and distributor of copper and copper-based alloys with four operations in Indiana and Texas. We are third largest distributor of copper and copper-based alloys in sheet, strip, and coil in North America. We know firsthand how imposing tariffs on copper-based metals will hurt American manufacturing and the economy.

Access is critical to our success.

The high-performance copper-based alloys whose HTS codes are included in the July 5th USTR list are critical to U.S. manufacturing in electronics, automotive, aerospace, agribusiness, defense, and home appliance industries. The Bureau of Economic Analysis states these manufacturers represent approximately \$1.7 trillion in U.S. output annually.

ABC and others like us provide access to these metals to downstream manufacturers who produce components for some of the largest companies in the world from Ford and GM to Siemens and Square D. Imposing high tariffs on these metals will cause OEMs to source their components from outside the U.S. to avoid the added costs, resulting in lost customers, lost jobs, plants closing.

American manufacturers, like ABC are compelled to look globally to access these metals, which possess unique chemistries and mechanical properties because of inadequate domestic supply we source these metals in Europe. European mills are able to supply to the rigorous demand of our customers. The proposed increased tariffs on imports from Europe would force ABC to choose between reducing our offerings and losing our customers or becoming beholden to the virtual monopoly being created by Wieland Metals in the U.S. copper alloy industry which I will now explain.

On July 16<sup>th</sup>, Wieland Metals, headquartered in Germany, completed its acquisition of Global Brass & Copper, the last remaining US-owned brass and copper strip manufacturer. Prior to that, on May 28, Olin Brass, a division of GBC (which was about to be acquired by Wieland), petitioned USTR for inclusion of these metals for tariff protection that are sourced in Europe. Ironically, Wieland, a German company is attempting to create an unfair trade advantage that ultimately will benefit a European company and that would harm its US based competitors. All US-based manufacturers who purchase these high performance-based copper alloys, including ABC, will not be able to offer a product that meets the performance, quality, low risk, and liability demands of our customers. Recent attempts by ABC to purchase from Wieland have been denied without sourcing recourse. The consequence of these tariffs is a virtual monopoly for for Germany-based Wieland.

Some respondents have stated that the US has the capacity to supply these imported materials. This is not true. Production capacity and production capability are very different. It is only through the importation of these unique alloy grades and mechanical properties that thousands of Americans remain employed in electronics goods industries that manufacturers incorporate into everything from medical devices to airplanes to autos and tractors.



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If USTR imposes 100% tariffs on these ten copper HTS classifications ABC has already been informed by their suppliers of immediate price increases. These immediate and prohibitive increases will spread throughout the U.S. manufacturing base. Our firsthand experience has shown that we can expect that within a 6-18 months global OEMs will off-shore most of the electronic production that is reliant on raw material under these HTS classifications.

We strongly believe that imposing tariffs at any level on these ten copper alloy products will lead to a shift in production by the OEMs overseas, resulting in immediate job loss in the United States except for on German-owned company. On behalf of our employees, their families, and our industry, we ask that you do not drive manufacturing offshore by imposing these tariffs. Rather preserve access to all US manufacturers dependent on these copper alloys.

Thank you for the opportunity to appear before you today.

- From the data in Appendix A, you can see that roughly 16 percent of U.S. domestic consumption of copper alloy comes from the EU and is subject to an *ad valorem* duty of 1 to 3 percent across \$533 million of import value.
- In Appendix B, a quick survey of metalworking manufacturers, respondents indicated significant risk to their businesses and employees were the tariffs to take effect.



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## Appendix A – EU Copper Importation Value & Market Share of SSP Consumption in the U.S.

Total Import Value from the EU ..... \$ 533,322,882  
 Est'd Quantity (lbs) of Copper Import EU of Subject HTS (See below) ..... ~ 140,000,000 Lbs. (Avg. of \$3.80/lb)  
 Est'd US Consumption of Copper Alloy in SSP, incl. Imports ..... ~ 880,000,000 Lbs. (per CDA)  
 Est'd Import Market Share from the EU of Subject HTS (See below) ..... ~ 16% Share (of US consumption)

<b>Imports from EU</b>				
<b>HTS CODE</b>	<b>PRODUCT</b>	<b>VALUE</b>	<b>Duty + Spl</b>	<b>Duty Collect</b>
7407.10.50	Cu Bars and Rods	\$51,555,039	0%	\$0
7407.21.90	Brass Bars & Rods	\$28,837,640	0%	\$0
7409.11.50	Cu Sheet & Strip 0.15mm-5mm <i>[Already 1.5% ad valorem duty]</i>	\$146,987,398	2%	\$2,204,811
7409.21.00	Brass Sheet & Strip >0.15mm <i>[Already protected by 7-20% anti-du]</i>	\$33,993,428	15%	\$5,099,014
7409.29.00	Cu Sheet & Strip >0.15mm <i>[Already 1.5% ad valorem duty]</i>	\$23,052,380	2%	\$345,786
7409.31.50	Bronze Sheet & Strip >0.15mm, <5mm,>500mm <i>[Already 3% ad valorem duty]</i>	\$52,463,180	3%	\$1,573,895
7409.31.90	Bronze Sheet & Strip >0.15mm, <5mm,<500mm <i>[Already 3% ad valorem duty]</i>	\$63,630,409	3%	\$1,908,912
7409.40.00	Cu-Ni Sheet & Strip (Ni Zinc) >0.15mm <i>[Already 3% ad valorem duty]</i>	\$66,235,220	3%	\$1,987,057
7409.90.90	Cu Alloy Other Sheet & Strip >0.15mm, <5mm,<500mm <i>[Already 3% ad valorem duty]</i>	\$21,355,632	3%	\$640,669
7410.11.00	Cu Foil <0.15mm	\$45,212,556	0%	\$0
		<b>\$533,322,882</b>		<b>\$13,760,144</b>
<i>(1) Source: U.S. Department of Commerce and U.S. International Trade Commission.</i>				
<i>(2) HTS Published Tariffs Chapter 74</i>				



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## **Appendix B – Impact Statements from Downstream Manufacturers in the USA**

“We have contracts with some large customers and cannot change pricing to them without re-opening price negotiations. I expect we could lose a substantial amount of business as our main competitors manufacture overseas and can already offer lower prices. We win business based solely on our quality and longevity in the industry,” – New York manufacturer for defense, automotive, 70 employees

“The impact would be dramatic. We would have no choice but to pass along the fully burdened cost of these tariffs, as we have no alternate supply choices for these alloys. German mills are the dominant suppliers of 500-series bronze and oxygen free C102 copper globally. The added cost would certainly push our downstream customers to move their production off-shore and most of our customers have indicated this to be their likely move, meaning potential layoffs of roughly 30% or 22 of our employees.” Pennsylvania manufacturer for automotive, medical, electrical, 75 employees

“There is currently no producer of copper tin alloys or oxygen free copper alloys in the U.S. Global Brass/Olin Brass is the only producer of nickel silver alloys in the U.S., however, they require a minimum heat lot purchase of 30,000 lbs. Foreign suppliers will provide in full bar quantities of 10,000 lbs. Imposing these tariff's will give a German owned mill a virtual monopoly that will irreparably harm two (2) U.S. based and American owned reroll mills that compete against them. This Wieland monopoly will most certainly lock out any competition and raise prices for the entire U.S. metal fabrication industry.” Pennsylvania manufacturer for aerospace, agribusiness, automotive, defense, electrical, 80 employees.



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