

House Committee on Ways and Means

Statement of James M. "Jim" Jones, Vice-President, Dixie Industrial Finishing, Tucker, Georgia, on behalf of National Association of Metal Finishers; Metal Finishing Suppliers Association; and American Electroplaters & Surface Finishers Society

Testimony Before the Subcommittee on Trade
of the House Committee on Ways and Means

March 26, 2003

Good morning, Mr. Chairman and members of the subcommittee. I am Jim Jones, Vice-President of Dixie Industrial Finishing Company. We are located in Tucker, Georgia, and have 85 employees. For 43 years, we have supplied metal finishing services on steel and other metals to a range of industries, including automotive, aerospace, construction, lawn and garden, heavy equipment, electronic cabinetry, and a host of others.

I am testifying today on behalf of the National Association of Metal Finishers (NAMF), the leading industry trade association for the metal finishing industry, as well as its sister organizations, the Metal Finishing Suppliers Association (MFSA) and the American Electroplaters & Surface Finishers Society (AESF). I am also the current President of the Georgia Industry Association, which has established an existing industry task force focusing on saving jobs and growing our current manufacturing base.

My reason for being here today is simple. Leaders in our industry are commenting this year that metal finishing is possibly experiencing the worst period we have seen in the past 40 years. Some in our industry tell us they have seen declines by as much as 60 percent, and others are closing their doors. One metal finishing company in the Atlanta area operating for over 100 years is now completely out of business as of this past year. Our own company has 25 fewer employees since the beginning of last year. Our experience is typical of the industry as a whole, though not as drastic as some.

We believe that one of the major reasons for this is the downstream, or "ripple effect," of the 201 steel trade action on key segments of the U.S. manufacturing base. This effect is now becoming painfully clear to industries like metal finishing. Our economic livelihood depends on the health of our customers - the steel consuming industries. It's basic economics, when our customers suffer, we suffer.

Like numerous other industries, we play a significant value-added role in the steel manufacturing supply chain. We make most of the things Americans come in contact with every day work better, look better and last longer. We apply a range of coatings onto literally millions of different types of fabricated steel, castings, stampings, forgings, and wire. Steel products account for an estimated 60 percent of finished goods by volume, and our role in corrosion protection alone in the U.S. provides about a \$200 billion annual economic benefit.

As others have testified here today, materials costs for steel are increasing significantly, and the steel consumers face extremely difficult times. Once the business of the domestic steel consuming industries disappears, another piece of the metal finishing market disappears, and seldom does it ever return.

In fact, not only are finishing firms seeing a drop-off in business from their steel-consuming customers, many finishers are taking price reductions from customers just to keep the work they have. The dynamics have become very destructive. Essentially, the steel consumer that is fabricating a part is faced

with uncontrollably higher materials costs, but he must find a way to lower the overall cost of his product. What are his options? One is to make up for his higher raw material costs by extracting a lower price for his metal finishing service. Another, if he can, is to simply source the manufacturing - and the finishing - out of country.

This puts in motion a second problem. Most finishing firms are quite small and therefore are true "price takers" in this market, so they end up competing against one another just to get business in the door, even if they have to lose money in the short term.

Thus, the steel tariffs have both shrunk domestic demand and have increased downward pricing pressures for metal finishing services. These combined effects have had a significant negative impact on the U.S. metal finishing industry.

Many who follow the chronology of the nation's economic plight recognize that the current downturn for manufacturing began in the 2nd quarter of 2000. While my industry clearly recognizes there is a combination of factors responsible for our financial pain, tariffs on steel have played a significant role in compounding and accelerating the problem.

We thank the Committee for requesting that the ITC conduct a Section 332 investigation to consider the impact of the steel tariffs on the U.S. economy. We hope that in the context of that investigation the ITC will include consideration of the impact that the steel tariffs have had on U.S. metal finishers.

Thank you for this opportunity to appear before you today.