



New York's Senator

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SCHUMER URGES MTA TO AVOID USING STEEL FROM STATE-OWNED CHINESE ENTERPRISES ON FUTURE PROJECTS; CHINESE GOV'T DEEPLY SUBSIDIZES INDUSTRY, GIVING THEM UNFAIR ADVANTAGE OVER AMERICAN FIRMS IN ANY BIDDING PROCESS

Schumer Urges MTA To Change Its Bidding Procedures To Give American Firms Level Playing Field On Major Projects And Avoid Purchasing From Subsidized State-Owned Enterprises

China Heavily Subsidizes It's Steel Industry, So Firms Like Angang Steel Can Undercut Their American Competitors, Like Nucor Steel in Auburn - Schumer Calls For Advance Notice On Major Contracts So American Firms Are Prepared To Compete

Purchasing State-Subsidized Chinese Steel For Massive Domestic Infrastructure Projects Promotes A Race To The Bottom That Could Ultimately Drive U.S. Steel Producers Out Of Business, Reduce Competition, And Cause Prices To Skyrocket

Today, U.S. Senator Charles E. Schumer urged the Metropolitan Transportation Authority (MTA) to alter its bidding processes to level the playing field for American steel manufacturers by accounting for the inherently unfair advantages state-sponsored firms, especially those from countries like China, now enjoy. These advantages take the form of subsidies from the government - including reduced energy costs, reduced environmental regulations, and infrastructure support - and make Chinese steel artificially cheap, allowing them to undercut their American competitors by up to 25%. This issue was recently underscored by the MTA's announcement that it would be using steel from Angang Steel (Ansteel) Group, a state-owned enterprise in China, to make repairs along the Verrazano-Narrows Bridge.

Schumer, citing these anticompetitive and unfair advantages state-subsidized foreign firms have, said reforms should be made in the MTA's bidding process so that domestic companies have an equal chance of securing a contract. He

said that purchasing steel from these state-sponsored companies, while it may save money in the very short run, would ultimately lead to higher steel prices and do economic harm to the United States. What's more, Schumer pointed out that Nucor Steel Auburn Inc, in Auburn New York, has unused capacity to make rebar, and could potentially fill the demand for the Verrazano-Narrows Bridge and other projects. Schumer noted that when these contract go to foreign steel, it's not just the steel producer who loses the sale and jobs, it's the entire supply chain here in the US including steel scrapyards who collect the scrap for the steel mill, and rebar fabrication businesses who take the rebar and prepare it for the construction jobsite.

Continuing to purchase artificially cheap steal from China would lead to a race to the bottom in which unsubsidized domestic manufacturers couldn't effectively compete, potentially putting them out of business. Once state-subsidized firms drive their competition out of business, they will be free to dramatically raise prices. Schumer said that MTA generally does a very good job supporting workers and businesses in New York and America, but that extra care needs to be taken not to reward China's anticompetitive practices.

“State-owned enterprises like Ansteel have an unfair, artificial, competitive advantage against American firms, and in the future the MTA should change its processes to account for this unfair advantage, and do everything in its power to avoid purchasing from these companies—especially when there is an Upstate company waiting in the wings who potentially could provide the same service,” said Schumer. “If we continue to source to Chinese companies based entirely on bid pricing, they will always win – with the level of government support and overproduction it’s impossible to beat their prices. This is causing a global race to the bottom on steel prices, a budding environmental catastrophe and the threatening of steel production not just in the U.S. but worldwide. If American government entities like the MTA don’t support a level playing field for American steel made by American steelworkers, no one will.”

The MTA awarded a \$235.7 million contract to Tutor Perini Corporation for repairs along the Verrazano-Narrows Bridge. The contractor subcontracted the steel decks to China Railway Shanhaiguan Bridge Group and will be using 15,000 tons of steel plate fabricated by Ansteel. The steel is being used to replace the bridge’s concrete upper roadway.

The Buy America Act requires the U.S. government to use American-made products. The Act allows for preferential treatment to domestically produced materials used for mass-transit-related projects which are funded through the federal government.

The MTA normally falls under the Buy America Act but because bridge and tunnel repairs are funded by bonds backed by toll collections, the repairs along the Verrazano-Narrows Bridge do not fall under the Buy America Act.

Schumer today pointed to two issues with using steel from Ansteel that are in direct conflict with the best interest of the New York economy. First, state-sponsorship can dramatically drive down costs on steel production. The Chinese government has a long history of subsidizing production and dumping products into the United States at a reduced cost in order to threaten the solvency of the domestic market. They do this by providing energy, environmental and infrastructure subsidies and other benefits to the companies, making it far easier for cheaper for them to produce steel. Second, China keeps its currency artificially low, giving imports from China a significant competitive advantage against competitors worldwide.

Companies like Ansteel openly admit their ties to the government of the countries in which they operate. They enjoy subsidies from those governments, including free or reduced cost energy, permission to pollute, loose environmental controls, and infrastructure upgrades. These subsidies allow the companies to produce artificially cheap steel that undercuts their competitors.

In his letter to Chairman Prendergast, Schumer today urged the MTA to consider using domestic companies when making sourcing decisions in the future.

Thomas F. Prendergast
CEO & Chairman
Metropolitan Transportation Authority
347 Madison Avenue
New York, NY 10017

July 11, 2013

Dear Chairman Prendergast,

We write today with concern over the recent decision of the Metropolitan Transportation Authority to use steel from Angang Steel (Ansteel) Group in China, a state-owned enterprise, to repair the Verrazano-Narrows Bridge. While we are appreciative of the tight budget constraints that MTA is subject to on public works projects, we believe that supporting state-owned enterprises such as Ansteel is in direct conflict with the best interest of the U.S. economy and in the future MTA should exercise all power within their authority to avoid this outcome.

Ansteel is the second largest steel manufacturer in mainland China and a state-owned enterprise, which means they are wholly owned by the Chinese government and as a result receive significant preferential treatment. Through this preferential treatment by the Chinese government companies such as Ansteel can dramatically drive down costs on steel production, even in a fragmented market. The Chinese government, through its state-owned steel market, has a long history of subsidizing production and dumping products into the United States at a reduced cost in order to threaten the solvency of our domestic market. This is why the Commerce Department has issued dozens of anti-dumping and countervailing duty orders on Chinese steel and iron imports over the last three decades. In addition to unfair trade practices specific to state-owned enterprises and steel on the part of the Chinese government, flagrant currency devaluation continues to give all imports from China a significant competitive advantage against competitors worldwide.

Together these two factors create a circumstance in which Chinese state-owned steel companies will continue to have a significant competitive advantage against American and other foreign steel manufacturers. If government entities such as the MTA cannot make the conscious choice to source from domestic producers, or at minimum foreign manufacturers who play by the same global trade rules as our American companies for the sake of the domestic market and free and fair trade, we worry the global steel market will be forced into a race to the bottom due to the unfair mercantilist practices of the Chinese government.

In the future we hope that the Metropolitan Transit Authority considers the broad implications for the domestic market when making sourcing decisions. It is our hope that in the future MTA will consider the profound impact that their purchasing power has on supporting domestic manufacturing against unscrupulous foreign and state-owned companies.

Sincerely,

U.S. Senators Charles E. Schumer & Sherrod Brown

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