



Philip K. Bell
President

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21st Century Steelmakers

Mr. Earl Comstock
Director
Office of Policy and Strategic Planning
U.S. Department of Commerce
Washington, DC 20230

**RE: Request for Comment on the Construction of Pipelines Using Domestic Steel and Iron
[Docket Number 170309252-7252-01]**

Dear Director Comstock:

The Steel Manufacturers Association (“SMA”) appreciates the opportunity to submit comments on the ‘Construction of Pipelines Using Domestic Steel and Iron.’ SMA strongly supports the intent of this policy, which we believe will ensure that U.S. companies and American workers benefit from the construction of American pipelines.

SMA represents North American electric arc furnace steelmakers and rerollers. SMA’s members account for over 75 percent of domestic steelmaking capacity, directly employ more than 60,000 workers across North America, and indirectly support over 420,000 additional jobs.

We applaud the President’s desire to use domestic steel and iron for U.S. pipeline construction. This policy will boost the economy, incentivize capital investments in local communities, and create and sustain American jobs. With capacity utilization rates hovering around 70 percent, the domestic steel industry has ample existing capacity to supply materials for pipeline projects.

This plan is also a critical component in the achievement of U.S. energy self-sufficiency. It is not advisable to swap America’s dependence on foreign sources of energy with a new dependence on imported energy infrastructure to extract and distribute domestic energy resources. America’s pipelines and all other energy infrastructure should be produced in the United States, to the fullest extent possible. This is both an economic and a national security issue.

As you examine ways to implement the ‘Buy America’ policy for pipeline construction, we wish to highlight one issue, in particular, that is vital to delivering the benefits of pipeline construction throughout domestic manufacturing supply chains. **SMA strongly supports implementing the ‘all manufacturing processes’ provision for steel and iron production.**

For 35 years, the foundation of ‘Buy America’ policy for U.S. infrastructure has been the requirement that ‘all manufacturing processes’ – from the actual steel production to the finishing processes – occur in the United States in order for a steel or iron product to comply. This standard ensures that the labor- and capital-intensive processes occur in the United States, promoting demand for the entire supply chain and the raw material sectors that support iron and steel production.

Actual steel production (as opposed to processing or finishing) is a significant generator of employment, capital investment, labor income value added, and tax revenue. More than two-thirds of direct steelmaking jobs occur in the “hot end” where steel is made. Each direct job in the domestic steel industry creates seven additional jobs – both in the supply chain and throughout the broader economy. All told, the steel industry contributes more than \$93 billion annually to the U.S. economy, directly employs around 140,000 workers, and supports approximately one million jobs.

The January 24, 2017 *Presidential Memorandum Regarding Construction of American Pipelines*, which is the basis for this request for comments, definitively states that for the construction of American pipelines the term ‘produced in the United States’ *shall* mean:

- (i) With regard to iron or steel products, that all manufacturing processes for such iron or steel products, from the initial melting stage through the application of coatings, occurred in the United States;*
- (ii) Steel or iron material or products manufactured abroad from semi-finished steel or iron from the United States are not "produced in the United States" for purposes of this memorandum;*
- (iii) Steel or iron material or products manufactured in the United States from semi-finished steel or iron of foreign origin are not "produced in the United States" for purposes of this memorandum.*

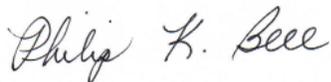
We support this language and congratulate President Trump for recognizing the importance of melting steel in America. Regrettably, foreign interests are aggressively lobbying to create a massive Buy America loophole that would allow semi-finished steel from Russia, China, or other foreign sources to qualify as “produced in the United States.” Any effort to impose a lesser ‘substantial transformation’ should be rejected outright. A cost analysis conducted by *SteelOnTheNet*, a globally-recognized steel-focused economics group, demonstrates that semi-finished steel (i.e., steel slab) accounts for 90 percent of the input costs of a finished steel product. Thus, under a lesser ‘substantial transformation’ standard, only ten percent of the production cost of steelmaking would occur in the United States, and the construction of American pipelines would provide a direct benefit to companies and workers located offshore.

Steel is made here only if it is melted here. We are pleased to see the ‘all manufacturing processes’ standard already included in this plan and ask that you reject any attempts to weaken it.

Before concluding, we would also like to note that the domestic steel and iron sectors and their workers are the most efficient and productive in the world. We are confident that they will rise to meet the challenge of supplying the products needed to construct our critical infrastructure. ‘Buy America’ provisions are structured with commonsense waivers to overcome any short-term market limitations – such as non-availability or cost. If given the opportunity, U.S. companies will make the necessary investments to expand production, manufacture new products, and train workers.

SMA appreciates this opportunity to express our strong support for requiring the use of domestic steel and iron for the construction of American pipelines.

Sincerely,



Philip K. Bell
President, Steel Manufacturers Association