

EDDIE STEWART, President
DIRK ELSPERMAN, Senior Vice President
ROBERT C. LANHAM, Vice President
JOEL ZINGESER, Treasurer
STEPHEN E. SANDHERR, Chief Executive Officer
JEFFREY D. SHOAF, Chief Operating Officer



April 24, 2018

The Honorable Kevin Brady
House Committee on Ways and Means, Chairman
Washington, D.C. 20515

Dear Chairman Brady,

The Associated General Contractors (AGC) of America appreciates your ongoing efforts in the House Committee on Ways and Means to review the Administration's steel and aluminum tariffs, assessing both their immediate and potential impact on the U.S. economy. As the nation's leading construction trade association, AGC represents more than 27,500-member companies that rely upon steel and aluminum to build our nation's infrastructure. The Administration's broad metals tariffs directly threaten pricing stability and are adding to steel and aluminum price increases and order delays. Without stable pricing, the industry faces the prospect of project delays and cancellations, putting up to 66,000 construction jobs at risk.ⁱ

While AGC recognizes the vital need to protect national security interests, the Administration's decision to exceed the Department of Commerce's top-line recommendation of a 24% blanket tariff on all steel imports and a 7.7% tariff on all aluminum imports is highly concerning. National security also depends upon a thriving national economy, of which construction is a vital component. For reference, gross domestic product (GDP) from construction in the U.S. reached \$660.5 billion in the fourth quarter of 2017ⁱⁱ.

AGC urges the Committee to consider the disproportionate and harmful effect these tariffs are having upon the construction industry, and to take any steps available within the Committee's jurisdiction to ameliorate the impact of these tariffs on construction.

Construction Use

AGC's 6,700 general contracting firms, more than 9,000 specialty contracting firms, and almost 12,000 service providers and suppliers all depend on steel and aluminum for a wide variety of construction projects. Aluminum is used in all types of buildings for window frames and curtain walls, siding, and other architectural elements, and, according to the American Iron and Steel Institute, the construction industry consumes 43 percent of domestic steel. For instance, wire mesh is used in highway concrete, while steel plate and wire for cables go into bridges. Buildings use large amounts of structural steel for piles and beams, rebar for reinforcing concrete, and steel studs for interior walls. Pipelines are almost entirely made of steel. Other infrastructure uses a variety of steel for rails and signaling systems; airport runways, control towers and terminals; harbor wharves and seawalls; and many other uses. With such a

ⁱ Francois, Joseph and Baugham, Laura: "Round 2: Trading Partners Respond, The Estimated Impacts of Tariffs on Steel and Aluminum," The Trade Partnership, March 13, 2018

ⁱⁱ U.S Bureau of Economic Analysis

dependence on steel and aluminum, the health of the construction industry is particularly susceptible to price increases.

Price Increases

The steel and aluminum tariffs have already triggered a surge of orders that mills say they cannot fill on a timely basis, causing prices for certain aluminum and steel products to rise sharply and disrupt project delivery schedules. While increased steel prices will likely lead to cost increases for existing projects, the operations and financing of current, budgeted projects are already being disrupted. Bid prices will rise for future projects, and public owners, which generally have fixed budgets, will be forced to reduce the number and/or scope of projects they put out, including schools, highways and bridges. Some private projects will be canceled as construction cost increases make them uneconomic.

Impact on the Workforce

Most importantly, the tariffs on steel and aluminum will also have a direct and negative impact on construction employment. The steel and aluminum tariffs will thin out a construction workforce that is already experiencing worker shortages. The projected number of jobs that could be affected is staggering. According to a Trade Partnership Worldwide report prepared for the Business Roundtable, 66,022 construction jobs could be at risk.ⁱⁱⁱ The Coalition for a Prosperous America (CPA), a domestic agriculture, manufacturer and union coalition, puts that figure at 10,635 construction jobs.^{iv} These figures do not take into account how the construction industry could be exposed to retaliatory trade measures.

Permanent Country Exemptions and Expiration Date

To remedy this, Congress should press the White House and United States Trade Representative (USTR) to expand the list of exempted countries and make permanent the “temporary” issued exemptions. The seven nations currently exempted are staunch U.S. allies. Congress should also pressure the White House and USTR to set a tariff expiration date to help stabilize prices and facilitate the construction industry’s decisions regarding long-term planning and hiring. Uncertainty is driving up prices, hindering project planning, and leading to workforce cuts. It is also threatening the viability of President Trump’s proposed infrastructure plan.

Impact on the Administration’s Infrastructure Plan

The President’s infrastructure plan depends upon non-federal investment—state, local, and private funding sources. Such investment would be hindered by increased project cost estimates from rising material prices. Broad, global tariffs on steel and aluminum weaken the President’s campaign promise to rebuild this nation’s crumbling infrastructure. Without the appropriate funding sources, it will not be possible to help rebuild and maintain the country’s roads, bridges, mass transit, railways, airports, ports and flood control structures. As the President himself has noted numerous times, the United States’ global competitive edge is dulled by its outdated infrastructure system, and the country’s growing gulf in goods trade with China could be narrowed by an overhauled infrastructure system. Steel and aluminum tariffs will not close this gap, nor do they pose a significant threat to China’s economy. Instead, they threaten the

ⁱⁱⁱ Francois, Joseph and Baugham, Laura: “Round 2: Trading Partners Respond, The Estimated Impacts of Tariffs on Steel and Aluminum,” The Trade Partnership, March 13, 2018.

^{iv} Ferry, Jeff: “Steel & Aluminum Tariffs Produce Minimal Impact on Jobs, GDP: CPA Economic Model Refutes Alarmist Trade Partnership Study,” Coalition for a Prosperous America, March 20, 2018.

very livelihood of the men and women who stand ready to carry out the President's vision, rebuild the country's infrastructure, and restore our competitive advantage.

Conclusion

While the House Ways and Means' April 12 hearing was a heartening first step, AGC remains hopeful that the Committee will take meaningful further action and hold USTR accountable as it seeks to negotiate country exemptions against a May 1 duty-free deadline. Again, we commend your willingness to explore the tariffs issue, but we also implore you to consider applying greater pressure on the Administration.

These broad, global tariffs on steel and aluminum pose serious harm to the construction industry and directly affect AGC's more than 27,500 commercial construction firm membership. AGC looks forward to ongoing consultation with you and your colleagues as the committee moves forward to address the steel and aluminum tariffs issue.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Christianson".

Jimmy Christianson
Vice President, Government Relations