**TESTIMONY OF HOLLIE NOVELETSKY**

**NOVEL IRON WORKS**

Good morning. My name is Hollie Noveletsky. I am the CEO and owner of Novel Iron Works Inc. in Greenland, NH. Thank you for this opportunity to testify. I will focus my comments on how Novel and its employees are being injured by unfairly traded fabricated structural steel imports from Canada, China, and Mexico.

Novel is a third-generation, family-owned steel fabricator that has been producing structural steel for more than 60 years. Founded by my father in 1956, my son Josh Noveletsky is now President. I have a 2-year old grandson and my hope is that one day Novel will become a fourth-generation company with him at the helm. However, if dumped and subsidized Canadian, Chinese, and Mexican fabricated structural steel are permitted to continue entering our market, I have real concerns whether Novel can survive that long.

In the current market, no matter what we offer, if we can’t meet or beat the import price, we almost always lose the sale, and that is unfortunately happening with greater frequency. Subject producers like the Canadians are selling fabricated structural steel into the U.S. market for roughly 10 to 15 percent below our bid, which is already at or below our cost. In some cases, they are coming in at 30 percent below our price. As a result, we are now completely shut out of certain markets. This includes public school projects in Massachusetts. The public funds to build these schools are all going over the border, making it pointless to even bid. We lose these projects based on price, not because of unique design and erection capabilities. We are fully capable of fabricating and erecting these publically funded schools.

Some will argue that the US capacity is maxed out and that we need foreign fabricated structural steel. I know that in New England we have ample capacity to meet the needs of the construction industry. Novel is producing significantly below capacity. There are times in construction, as we all know, that projects schedules change and push into other scheduled projects. During those times, our domestic competitors work together subbing work to one another, working together to meet unexpected schedule changes. And yes, I am aware that there are those domestic fabricators that sub work to foreign fabricators. And I can guarantee you that the choice of a foreign fabricator is based solely on price not on quality, capacity, or the unique ability of the foreign fabricator. And I also know that there are domestic brokers who sell themselves as fabricators only to get jobs and resell them to foriegn fabricators at a significant profit due to the dumped and subsidized foriegn fabricated structural steel prices. But these brokers who don't have a manufacturing plant in the US are hurting the domestic market and more importantly they are hurting the US employees. These brokers of foreign fabricated structural steel are taking jobs away from domestic employees, lowering market prices which in turn adversely affects wages, benefits and profit sharing. And yet they give the illusion of providing domestically fabricated structural steel. While the Canadian producers here today will likely tell you stories that the domestic industry suffers from supply constraints, as I stated our capacity utilization rate is at its lowest in years. We are ready and willing and capable to supply all types of projects and would be able to in a fairly traded market.

But now we are being forced out of many of the larger projects– we know that we can’t compete against the dumped and subsidized import steel prices, making it even futile to bid. Because subject imports have pushed us out of larger markets, where we typically saw 4 or 5 bidders, we have had to pursue smaller projects in smaller markets with lower margins. These projects generally have 10 or more fabricators bidding, and, although they are less profitable than the larger projects, the import competition remains just as fierce.

When we are not losing sales to subject imports, we are losing substantial revenue. The use of multiple bidding rounds facilitates this intense price competition, as general contractors use the subject import price to drive down our bid, round after round. It is not unusual for us to lower our bid to below raw material costs and labor simply to win the sale and keep our facility running. However, even then, we sometimes simply can’t go low enough.

These losses shouldn’t be happening, and especially not in a period of healthy demand, as we have had since 2016. Although U.S. construction spending has been strong since the start of the investigation period, Novel has been unable to benefit. Instead, we are losing project after project to subject imports and have seen our production, profits, and employment numbers drop.

When I was here last year, I testified to the adverse effects on prices due to the downward pressure on the market from foriegn fabricated structural steel imports. I noted that between 2015 and 2018 profits plummeted to the point at in 2018 on a gross sales of 32 million dollars we had a before tax profit of 300,000. After taxes and profit sharing there wasn't much left for investing in needed equipment. Today I can testify to the 2019 update. Due to the continued influx of foreign fabricated structural steel in our market, on a total gross sales of 41 million dollars, we lost 100,000 dollars due to market distortion from dumped and subsidized foriegn fabricated structural steel. This market distortion hurts not just our company but our workers and their families. Needless to say there was no profit sharing as there were no profits. Because of unfairly traded Canadian imports, we have had to postpone making much needed equipment updates, and our capital investments over the past few years have been scaled back to a fraction of what they were before the investigation. But in order to stay at the cutting-edge, we just recently purchased a Zeman Steel Beam Assembler for $2 million dollars, a real game changer in steel fabrication that allows for the robotic assembly and welding of structural beam. It was the first time in over 25 years, we had to go to a bank to finance a piece of equipment. But in the end, we decided to finance out of our reserves so not to take on added debt in a depressed market due to unfairly traded foreign fabricated structural steel. This and other investments are at serious risk unless trade orders are imposed.

But these negative impacts are not what keep me up at night. What has been particularly difficult is the injurious impact of unfairly traded Canadian fabricated structural steel on our workers and their families. Our employee headcount is down. These lost positions represent solid middle-class manufacturing jobs. Wage increases, health care insurance contributions, and profit sharing have all been negatively impacted. Forgiegn imports of dumped and subsidized fabricated structural steel have put domestic fabricators in the painful position of having to choose between investing in much needed equipment or investing in their employees. But equipment without employees or employees without needed equipment is a loose loose whichever way you slice it.

Without trade orders in place, conditions for the domestic industry will inevitably go from bad to worse. Canadian fabricators became even more aggressive after the Commerce Department’s negative preliminary dumping and subsidy determinations. Canadian fabricators that we’ve never heard of or seen before are coming out of the woodwork and under bidding us on projects. If orders are not imposed, Novel may not last much longer. Our survival is at stake.

I want to close by reinforcing a message I conveyed to the Commerce Staff last February. The fabricated structural steel industry in the United States was built by hardworking middle-class men and women. We are a strong and resourceful industry that has weathered economic hardship in the past, like the 2009 recession. We understand the ups and downs of the economy and are well equipped to deal with it. But we are not equipped to handle unfair trade, nor should we have to. While we are playing by the rules of fair trade, others are not. When foreign fabricated steel enters our market at unfairly traded prices, it places domestic fabricators and workers at a significant and unfair competitive disadvantage and threatens our industry with collapse.

On behalf of Novel, its employees, and their families, we urge you to find that unfairly traded imports of fabricated structural steel from Canada, China, and Mexico are injuring the domestic industry and give us a fighting chance. Thank you.