

Testimony of Richard D. Huether, President & CEO, Independent Can Company
Product Exclusion Process for Section 232 Tariffs on Steel and Aluminum
House Committee on Ways and Means Subcommittee on Trade
July 24, 2018

Thank you, Chairman Reichert and Ranking Member Pascrell and members of the Trade Subcommittee for inviting me today. I am Richard D. Huether (Rick) President and CEO of Independent Can Company Headquartered in Belcamp, Maryland. We are a family business with 5 manufacturing locations (2 in Maryland, 2 in Ohio and 1 in Iowa) and 415 employees. My Father, my Sister and my Son are active every day in the business.

Independent Can Company was incorporated in 1928 and we made our first can in January 1929. Founded in Baltimore, Maryland responding to a consolidation by Continental Can Company of approximately 25 of the 30 operating can companies in Baltimore, the company was named "Independent" to emphasize that it was not part of a large public company.

Independent Can Company is a member of the Can Manufacturers Institute. The Can Manufacturers Institute (CMI) is the national trade association of the can manufacturing industry and its suppliers. Our members employ 20,000 workers in 36 states and produce 119 billion beverage, food, aerosol and general line cans with tinplate steel and aluminum. CMI opposes the Administration's Section 232 tariffs on imported steel and aluminum and has raised concerns about the exclusion process set forth by the U.S. Department of Commerce.

- US Commerce Department Section 232 exclusion request process is costly and as a small business we have spent over \$50,000 internally for staff to prepare the 40 exclusions. This represents over 500 hours which could have been time spent building the business versus defend the business.
 - Members of CMI have also contracted with a local law firm to advise on the exemption process which has also substantial costs.
- The process has created uncertainty and anxiety in the market causing customers to shop for alternative packaging or going overseas.
- Costs of domestic tinplate steel has now matched and or exceeded the price being offered for imported steel with the 25% tariff
- We have seen an increase of empty Chinese cans entering the U.S. market tariff free. Our US-based customers are now purchasing these containers, which are a threat to our workers. We lost an order valued at 2 million dollars to China in February 2018 due to tariff concerns.

Independent Can Company through our industry association, CMI has voiced concerns about the Department of Commerce's exclusion process. We would like the Department to issue exclusions covering ranges of dimensions with the same Harmonized Tariff Schedule (HTS) code, allowing trade associations like CMI to apply for exclusions on behalf of the industry and granting product exclusions due to specialized needs like those in the can manufacturing industry. This would save hundreds of man hours by multiple companies.

Investments: Independent Can Company has invested in operational improvements at a very high level annually for years. We want to be a survivor in can making and to do so this requires an aggressive investment plan. In the past 5 years we have invested nearly 30 Million dollars in a new plant in Ohio (creating 30 Jobs) and the purchase of a failing specialty factory owned by one of the major can companies (saving 55 jobs).

We currently are installing two can lines at a cost of approximately 2 million dollars for a project we contracted for more than a year ago. One line has just been installed and the second will be ready for qualification in August 2018. At this point we do not know how to truly respond to the contracted project with the availability and costs of tinplate.

Steel Supply: If we had a choice we would prefer to buy 100% of our steel domestically. We buy based upon: quality of the steel, on time delivery and the price.

10 years ago, we bought 90% of our tin plate domestically. We had multiple mills to buy from as there were more producers in the USA. Today we have 2 integrated mills producing tin plate.

- Mill #1: This Mill has not been willing to sell to us due to the number of claims they received and accepted for delivering poor quality.
 - When the tariffs were announced we asked this mill for a quote and we were told that they were sold out for the year so no capacity was offered.
- Mill #2: We have done business with this mill for decades and with whom we have had a contract for a specific tonnage for many years. This year they tried to turn down additional volume explaining that they did not have the capacity. After much discussion and negotiations they did accept additional orders.
 - Quality has been acceptable
 - On time delivery:
 - 2016- 18% on time
 - 2017- 12% on time
 - 2018- Year to date 18% on time
 - ****Imported steel arrives 85-90% on time and the quality is excellent****
 - If we exceed our contracted tonnage mill #2 will apply a substantial increase for each additional ton. This increase makes this mill not competitive with overseas mill even paying the tariff on many of our steel specifications.
 - This mill has made us aware of their investment plans which will provide better quality tinplate and additional capabilities for producing the larger sheets of tinplate that we need to operate our equipment more efficiently.
 - We have asked this mill to support an exemption for 2 years while they bring the new capabilities on line as we would need time to qualify them on our applications and many of our customers specify the particular mill supply due to being FDA certified. We would need 6 to 18 months to recertify this mill after they have supplied samples for qualification. The mill flatly refused to support any exemption.

As a manufacturer, our product lines are very different than others in our industry. We do not make beer, beverage, aerosol or sanitary cans. We make popcorn, snack food, cans for chocolate, coffee, cookies, promotions, and cosmetics. Many of the tins we make are used as gifts for the holiday seasons.

We would describe our business as being a specialty can maker. The products we make are generally what the major can companies have discarded as too small for their interest or too seasonal for their ability to manage.

Over the past 40 years we have had to redefine and retool our plants several times with the investments and training of new skills that are required. Our employees represent brothers and sisters, fathers and sons that have worked for us over generations. We are as committed to our employees as we are to specialty cans being made in America.

We had to deal with the transition of metal cans to plastics and change the markets serviced from industrial products to consumer driven food and non-food items. As soon as we made the conversion to highly decorative round and shaped tins we faced a significant attack from the low costs countries, especially China. The Chinese labor costs are so low that they have made tremendous inroads into our markets. Independent Can responded by investing in very highly automated assembly lines.

Through automation and the creativity of our skilled employees, we were able to thrive and grow against the low-cost imports. One of the most interesting facts is the more automation we added the more employees we hired and needed to train in high paying skilled trades. We learned quickly that automation permitted us to protect the business we had and allowed us to reshore (bring cans produced in China back to the USA) a significant volume of tins, bringing jobs, steel and work back to the USA from China and other countries.

Environmental Concerns: As a society we must consider another factor and that is the waste stream. Steel cans are 100% recyclable and the steel, as it is recycled, loses none of its attributes. Steel can be used over and over and may come back as a car, a structural beam, rail road track and other purposes. The packaging that could replace tins, if the tins are not sold competitively in the market, are NOT fully recyclable. Plastic loses its attributes each time it is recycled, meaning it eventually ends up in the landfill or even worse in the oceans, which we have seen in the news recently.

Recapping the major points:

- Independent Can is a Specialty Can Maker-
 - Our primary competitor is China and they have no duty or a very low duty on specialty cans made in China and shipped to the United States.
 - With quality tins, on time delivery and globally competitive costs we can compete with anyone

- No beer, beverage or sanitary cans
- We only use tinplate (Steel)
- Only 3 specialty companies left in USA
- Only one domestic Mill will sell us
 - Cannot supply all specifications
 - Require 6-18 months to qualify their specs for FDA applications
 - Substantial increase in tinplate costs if we buy more than contracted
 - Delivery only 18% on time
 - With Tinplate being approximately 3% of the Global steel production should tinplate even be considered for a tariff?
- Environmental concerns
 - Steel 100% recyclable without losing attributes
 - Recycling does require a primary steel mill with either a blast furnace or electric furnace – jobs in the USA
 - Alternative packaging (plastic or laminated multilayer film) will end up in landfills eventually due to inability to recycle

Thank you for giving me the opportunity to discuss this important issue, I look forward to your questions.

MARKET CHANGES LAST 40 YEARS**May 15, 2018**

<u>COMPANY- Litho</u>	<u>Location</u>	<u>CHANGE</u>
Sheet Metal	Baltimore, MD	Closed
Parker Metal Decorating	Baltimore, MD	Closed
Darco Metal Decorating Operating	Chicago, IL	Lakeside Metals-
Pittsburgh Metal Decorating	Pittsburgh, PA	Closed
Atlantic Cheinco	Burlington, NJ	Closed
Steel-Tin Litho	New Castle, PA	Closed

<u>Company- Cans</u>	<u>Product line</u>	<u>Change</u>
Quaker Can	Specialty	Sold to Independent
Can – Closed 1982		
STEELTIN CAN	GEN LINE & SPEC	SOLD-US CAN- sold to
Ball, 2016 sold to Independent Can		
COLUMBIA SPECIALTY	SPEC & CLOSURES	SOLD-US CAN- Closed
GRAFCO	SPEC & SPICE CANS	SOLD-US CAN - Closed
ELLISCO	SPEC	SOLD-US CAN -Closed
PENN WHEELING	CLOSURES	SOLD- US CAN & SOLD
TO Technocap		
PROSPECT IND	PAILS	SOLD-US CAN & SOLD
TO PRIVATE INVESTORS-Closed		
FEIN CONTAINER	GEN LINE & PAILS	SOLD-US CAN - Closed
BALLONOFF	SPEC & HOUSEWARES	SOLD-US CAN - Closed
MIDWEST CAN	GEN LINE	SOLD-US CAN- Closed
GENERAL CAN	GEN LINE & SPEC	SOLD-US CAN- Closed
HUNTER CONTAINER	SPEC	SOLD-US CAN & SOLD
TO ALLSTATE		
HOWINGTON-5 PLANTS	SANITARY CANS	SHUT DOWN-SOLD-
Closed		
P K PRODUCTS	SPECIALTY	SOLD- to Wincraft -
Closed		
CRAWFORD CONTAINER	SPECIALTY	SOLD-INDEPENDENT
CAN CO BOUGHT IN 2007		
BERTELS CAN COMPANY	SPECIALTY	SOLD-INDEPENDENT
CAN CO- BOUGHT IN 2006 CLOSED		
US CAN COMPANY	GEN LINE & SPECIALTY	SOLD-BALL
OLIVE CAN COMPANY	SPECIALTY	SOLD-US CAN- Closed
ATLANTIC CHEINCO	SPECIALTY	SHUT DOWN
KIWI	SPECIALTY-SHOE POLISH	SHUT DOWN
ROBERTSON CAN	SPECIALTY	Sold to Crawford Can-
Closed		
EMPIRE CAN	SPECIALTY	SHUT DOWN
BEDFORD CAN	SPECIALTY	SHUT DOWN
KRAUSE	TRAY & SPECIALTY	SHUT DOWN
LE COMTE	SPECIALTY & WB	SHUT DOWN
KREITLER CONT	SPEC	Sold to Crawford Can
LIBERTY IND	SPEC	SHUT DOWN

EH KNEEN

COMPANY- Cans

ARWOOD CAN

EASTERN CAP & CLOSURE

Closed

COLUMBIA CAN

Closed

Susquehanna Metal Box
and Seal - Closed

Glud & Marstrand

Universales

Connecticut Cap and Seal

GEN LINE

PRODUCTS

GENERAL LINE

CAPS

CAPS

Shoe Polish Tins

Food and Specialty

Screw Caps

Closed

CHANGE

CLOSED

Sold to US CAN -

Sold to US CAN -

Sold to Crown Cork

SOLD-Envases

Sold to Keystone Cap

Product Offerings



Decorative Cookie Tins



Decorative Popcorn Tins



Industrial Tins



Hermetic Food Cans



Product Offerings



Conical Pails



Seamless Tins



Wax and Polish Cans



Specialty Closures