

**Testimony of Mr. Robert L. Mahoney  
President, Tubular Products Group, Northwest Pipe Company**

*Before the U.S. Senate Committee on Finance – Washington, DC  
Subcommittee on International Trade, Customs, and Global Competitiveness  
Enforcing America's Trade Laws in the Face of Customs Fraud and Duty Evasion  
Thursday, May 5, 2011 – 2:00 pm*

Good Morning Chairman Wyden and Members of the Committee. My name is Bob Mahoney and I am the President of the Tubular Products Group of Northwest Pipe Company. I am proud to have graduated from the U.S. Military Academy at West Point and have served as a Captain in the U.S. Army prior to receiving an MBA from the University of Virginia, Darden School of Business. I have been with Northwest Pipe for the past 19 years.

Northwest Pipe Company operates six plants in the United States producing water transmission pipe in California, Colorado, Oregon, Texas, Utah and West Virginia. We also operate three plants producing steel tubular products in Kansas, Louisiana, and Texas.

Northwest Pipe has been involved in four recent sets of trade cases involving imports of pipe and tube products from China that are produced by our tubular products divisions. These cases were filed during the period of 2007 through 2009 and involved circular welded pipe, light walled rectangular tubing, API line pipe, and oil country tubular goods (OCTG). In all four cases, the Department of Commerce found that imports from China were both subsidized and dumped and

the U.S. International Trade Commission determined that these imports from China either injured the U.S. industry or threatened the U.S. industry with injury.

Our response to this trade relief has been to invest heavily in each of our three facilities, resulting in a doubling of our total tubular product group capacity and the hiring of 150 new employees since 2009. These investments in expansions at these facilities have allowed our company to become a major supplier of OCTG and line pipe to many of the new shale drilling areas for oil and gas in the United States including the Marcellus Shale, the Bakken Shale, and the Haynesville Shale area in which our Bossier City, Louisiana plant is located.

Unfortunately, our company and other members of the pipe and tube industry that participated in these cases have seen numerous examples of fraudulent circumvention of the intended relief. This includes reports of Chinese pipe that is merely threaded and coupled in Vietnam and then mislabeled as Vietnamese products. This continues despite current Customs rulings that state that simply threading coupling pipe does not change the country of origin of the product. In addition, our industry has received reports about light walled rectangular tubing (LWR) from China imported in bundles and placed inside of containers that contain granite countertops and neither the Chinese tubing nor the 250% dumping duties are being declared to U.S. Customs.

Clearly, the worst example of egregious customs fraud came in an industry event that I attended and spoke at in Houston, Texas in March 2011 where an importer of OCTG from Asian countries was also a guest speaker. In front of a crowd of 300 participants involved in the energy tubular industry, this gentleman described how when visiting an OCTG mill in Indonesia that he personally saw workers in the plant painting over the “Made in China” and Chinese mill API markings on the Chinese OCTG and painting on “Made in Indonesia” and the Indonesian companies API license number. This statement at that conference was then published in the American Metal Market (AMM) which is a widely read industry trade publication for those engaged in the steel industry in the United States.

Senator Wyden and members of the Committee, I have three comments about this statement and this type of fraud. First, the speaker would not identify the name of the Indonesian OCTG mill engaged in this practice to myself or Mr. Schagrin who also attended the conference. I understand that Mr. Schagrin gave the contact information for this gentleman as well as the AMM article to officials at U.S. Customs and Border Protection (CBP) so that they could obtain directly information on this fraud. Second, it is in some ways indicative to me of the widespread acceptance and acknowledgement of the transshipment fraud that is occurring with Chinese products that someone would not think twice about sharing

information on these practices in public before a large audience. Third, not only does this type of customs fraud cost Northwest Pipe and others in the domestic industries money and our employees and other workers in the domestic industry jobs and work times on the mills, there are also serious safety issues involved with customs fraud. The failure of oil well casing or tubing in a well can cause an explosion with injuries to workers on the rig and environmental damage. If an exploration company, which depends on the mill test reports of the mill that is producing the OCTG, is actually obtaining falsified mill test reports from a mill that is merely painting its stencil on a product made in a different mill, then the safety and dependability of that product is called into question.

As a business executive who is responsible for running a division of a publically traded company and one who proposed a significant investment to our Board of Directors for our plant in Louisiana, our leadership team and board of directors were depending on CBP to enforce the nation's trade laws and collect the appropriate duties. When that relief is fraudulently and purposefully circumvented, then the predicate for our business investment decisions are unsupported. Senator Wyden, I have had the opportunity to review The Enforce Act of 2010 that you and Senator Snowe introduced in August 2010. As an Oregonian, I am proud to have you represent our state in the Senate and thank you for taking a leadership role on an issue that is so critical to our company, our

workers and the industry. I urge you to continue to work with your colleagues in Congress to enact this legislation. Senator Wyden, our industry has been working on this issue for some time and I know that others on the panel today will also tell their story about why we must ensure that these laws are enforced and that there is an end to widespread, blatant and egregious customs fraud. Simply put, our company like many others in this sector must know that these allegations of customs fraud are brought to the attention of CBP and acted upon in a vigilant and expeditious manner.

Thank you for inviting me to appear today before the committee.

## **Bob Mahoney**

*President, Tubular Products Group  
Northwest Pipe Company*

Bob Mahoney began his career with Northwest Pipe in 1992 as a marketing analyst and went on to spend several years with the sales department in Southern California. He was promoted to Director of Business Planning and Development in 1996. In 1998 he was appointed Vice President of Corporate Development and President of the Tubular Products division in 2008. Prior to joining Northwest Pipe, Bob was an Aviation Officer with the United States Army for six years. A graduate of the U.S. Military Academy at West Point in 1984, Bob received his MBA from the University of Virginia in 1992.