

Testimony of David J. Delie
President and CEO of Welspun Tubular LLC (USA)
Before the House Energy and Commerce Committee
Subcommittee on Commerce, Manufacturing and Trade
“Keystone’s Red Tape Anniversary:
Five Years of Bureaucratic Delay and Economic Benefits Denied”
September 19, 2013 – 2322 Rayburn House Office Building

Good morning Chairman Terry and members of the Committee. For the record my name is David Delie and I am the President of Welspun Tubular LLC of Little Rock Arkansas. I have approximately 35 years of experience in the steel industry and have been the President of Welspun for the past 2 1/2 years.

Welspun invested over two hundred and ninety million dollars installing two pipe mills, two coating lines and auxiliary equipment in Little Rock enabling us to produce line pipe for pipelines in sizes ranging from six inches to sixty inches in outside diameter. At our peak, we have had more than eight hundred employees at our operations, making us one of the largest employers in the city of Little Rock.

Approximately four years ago, Welspun was chosen as the largest U.S. supplier for the U.S. portion of the Keystone XL pipeline by TransCanada. In all, we produced over three hundred and thirty thousand tons or 700 miles of thirty six inch API grade X70 pipe for TransCanada on this project. We produced the pipe in Little Rock and we coated the pipe in Little Rock. This project so far has generated over 600 jobs for over 1 1/2 years at Welspun alone, this is not counting any of the indirect supporting jobs that are required to operate our plant on a daily bases. Welspun has also infused over 108 million dollars into the local economy from this project so far. Given the delays in the approval process, TransCanada has asked Welspun to store the pipe in Little Rock and asked us to apply protective coating so that the pipe can be stored outside without harming the epoxy coating applied to the pipe that is intended to protect the pipe while it is in the ground. I have attached to my testimony a picture of over one hundred eighty thousand tons or approximately 373 miles of pipe in this storage yard.

Some of the pipe purchased by TransCanada has been installed in a section of the line from Cushing, Oklahoma to Houston, Texas. That part of the pipeline did not require Presidential approval. However, the vast majority of the Keystone will be laid between the Canadian border and Cushing, Oklahoma. TransCanada has made it clear that if KXL is not approved the outlook changes fairly significant as pipe for the Keystone XL will be redeployed to other TransCanada projects or re-sold to other companies, reducing the pipe production levels in 2014 and beyond. Thus, TransCanada can almost overnight be transformed from our biggest customer to our biggest competitor. The sale of this pipe on the open market would result in the direct loss of approximately fifteen

hundred jobs in the line pipe industry, thousands more in steel mills, and will also have a massively depressing affect on the prices of line pipe in the US market.

In a recent hearing before the International Trade Commission concerning a sunset review of an anti-dumping duty order on Large Diameter Line Pipe from Japan, a Commissioner asked an expert economist hired by the industry to assess the jobs impact of the Keystone XL pipeline. That economist, Dr. Robert Scott, using information available to the public and in part on research provided by the Congressional Budget Office, found that approximately eighty thousand job years over the two years of construction in the installation of the Keystone pipeline would be created. In addition to the direct impact on jobs caused by the five year delay in the approval of the Keystone pipeline, there has been a very significant indirect adverse affect on pipeline construction within the United States. In spite of both the discovery and the production of large new quantities of oil and natural gas from new shale fields, pipeline companies are not installing pipelines to bring these products out from the shale areas to the market. For example, in the Bakken in the Dakotas, one of the most prolific and largest oil production areas in the United States at the present time, more than three quarters of the oil production is leaving the region on rail cars. There is little doubt that transportation of oil through pipelines is safer than by rail or tanker trucks. However, the pipeline companies see what has happened to Keystone XL and are foregoing the massive amounts of time and effort necessary in order to get pipelines approved. Thus, in spite of increases of more than 25% in over all US oil production over the past five years, much of it in new fields that require pipeline connections to the market place, we are seeing significantly less pipeline construction and demand than we were prior to this increase in oil production. This has a very negative impact on the line pipe industry, the domestic steel industry, and on U.S. jobs.

The construction of the KXL pipeline will provide more opportunities as the infrastructure grows in support of the development of the Oil Sands in Canada and the Bakken in the United States. The end result is Keystone XL will enable growth which will support ongoing production and jobs at Little Rock, denying the project will reduce ongoing employment.

I appreciate the opportunity to testify before this Committee and hope that you are able to pass legislation to require the approval of the Keystone XL pipeline and to remove the bottlenecks on pipeline construction in the United States. Thank you.