

# OUR NATION OF BUILDERS: THE STRENGTH OF STEEL

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## HEARING BEFORE THE SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE OF THE COMMITTEE ON ENERGY AND COMMERCE HOUSE OF REPRESENTATIVES ONE HUNDRED THIRTEENTH CONGRESS

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## **OUR NATION OF BUILDERS: THE STRENGTH OF STEEL**

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**THURSDAY, MARCH 21, 2013**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND  
TRADE,  
COMMITTEE ON ENERGY AND COMMERCE,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 9:32 a.m., in room 2123, Rayburn House Office Building, Hon. Lee Terry (chairman of the subcommittee) presiding.

Present: Representatives Terry, Lance, Blackburn, Harper, McKinley, Bilirakis, Schakowsky, Butterfield, Welch, Barrow, Christensen, and Waxman (ex officio).

Staff Present: Charlotte Baker, Press Secretary; Kirby Howard, Legislative Clerk; Nick Magallenes, Policy Coordinator, CMT; Gib Mullen, Chief Counsel, CMT; Andrew Powaleny, Deputy Press Secretary; Shannon Weinberg Taylor, Counsel, CMT; Michelle Ash, Minority Chief Counsel; and Will Wallace, Democratic Policy Analyst.

### **OPENING STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA**

Mr. TERRY. Thank you all for being here. I am going to give my opening statement. Thank you, Janice. And I want to thank all for coming here to the second in a series of hearings of the Commerce, Manufacturing, Trade Subcommittee, Promoting Our Nation of Builders.

The focus of today's hearing is the health of our steel industry and how we can work together to overcome the challenges that face us. According to the American Iron and Steel Institute, steel manufacturing employs 161,900 individuals over 100 facilities nationwide, and the steel industry is indirectly responsible for over 1.1 million jobs in industries like transportation, construction, auto and national security.

The productivity of the steel industry is outstanding. Since the late 1880s, U.S. steel plants have seen a five-fold increase in productivity, producing 1 ton of finished steel in 10.2 man hours in the early 1980s to an average of just over 2 man hours in 2011. Today the U.S. is the third largest producer of steel, producing over 86 million metric tons. And U.S. steel manufacturers do this while maintaining a strong commitment to workplace safety. And that is a testament to a very highly skilled workforce.

But today's hearing is about finding pathways to policies that will cut down regulatory and other barriers standing in the way of our U.S. steel manufacturers. Two things I would like to know are, first, what can we do to make sure our U.S. steel producers can compete on a level playing field, not handicapped by outdated trade laws and not pitted against foreign companies that are unfairly subsidized; and, second, what can we do to match workers with these good paying jobs. If U.S. steel manufacturers cannot find the skilled workers they need, that is a double tragedy.

Surplus steel from countries such as China and South Korea is flooding our markets with cheap products. This low cost and sometimes low quality steel being imported to the U.S. is being heavily subsidized by exporting nations through state sponsorship, export rebates, currency manipulation and other schemes.

This subcommittee's jurisdiction covers nontariff trade policies, of course, and this is of great interest to us, but the main reason we are here today is to identify the obstacles facing the industry so we can improve the competitive environment of this vital industry.

At this time I would like to yield to Marsha Blackburn.

[The prepared statement of Mr. Terry follows:]

#### PREPARED STATEMENT OF HON. LEE TERRY

Thank you for all for coming to the second in a series of hearings of the Commerce, Manufacturing and Trade Subcommittee promoting our nation of builders.

The focus of today's hearing is the health of our steel industry and how we can work together to overcome the challenges it faces.

According to the American Iron and Steel Institute, steel manufacturing employs 161,900 individuals at over 100 facilities nationwide. And, the steel industry is indirectly responsible for over 1.1 million jobs in industries like transportation, construction, auto, and national security.

The productivity of the steel industry is astounding.

Since the late 1980s, U.S. steel plants have seen a five-fold increase in productivity, producing one ton of finished steel in 10.2 man-hours in the early 1980s to an average of just over two man-hours in 2011. Today, the U.S. is the third largest producer of steel, producing over 86 million metric tons.

And U.S. steel manufacturers do this while maintaining a strong commitment to workplace safety. That's a testament to a very highly skilled workforce.

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# # #

Mrs. BLACKBURN. I thank the gentleman for yielding. And I thank our chairman for calling this hearing today. We all know the



vital nature of the steel industry to our economy. Here in the country, we have got 161,000 workers who are working in the steel economy. Some of those we find in Tennessee. Mr. Ferriola, who is the CEO of Nucor Steel has two plants in Tennessee, one down in Memphis, where I have visited and had the opportunity to see first-hand the work they are doing; the other is up in Portland. So we welcome you and we thank you for the work you are doing.

I will add that in the 11 steel industry facilities that are located in Tennessee, in the past couple of years, we have seen 2,813 new jobs created, so we are pleased with that and that type growth in this sector. So welcome. We appreciate that. I yield back my time.

Mr. TERRY. And at this time, I will recognize the vice chairman of the committee, Mr. Lance.

**OPENING STATEMENT OF HON. LEONARD LANCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. LANCE. Thank you, Mr. Chairman. And my thanks to both panels and to Congressman Murphy as well as our distinguished guests from the steel industry.

New Jersey has approximately 7,000 steel-supported jobs, and many of these are value added, and one plant is affiliated with Nucor Corporation, which is testifying today. Even though the State is not a primary producer of steel, it is obviously a critical industry for every corner of the country.

As we examine the vitality of manufacturing in the United States, we are looking in part at the way government at the Federal level can help or hurt the industry. In past subcommittee hearings, we have been told that the current Tax Code is a driver of inefficiency and frequently uncertainty. Extending the R&D tax credit, simplifying the Tax Code and lowering the Federal tax rates are suggestions that come to mind. A high tax rate makes it all the more difficult for our domestic steel industry to compete in an already difficult playing field where competitors are frequently subsidized in various ways by their home countries.

Beside the tax issue, I welcome your testimony on a range of issues faced by our domestic steel industry, and I hope that you will find our subcommittee a willing partner in ways to encourage and support the manufacturing community and the steel industry. Thank you very much, Mr. Chairman.

Mr. TERRY. Well done, Mr. Vice-Chairman. At this time recognize the ranking member of the subcommittee, Ms. Schakowsky.

**OPENING STATEMENT OF HON. JANICE D. SCHAKOWSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS**

Ms. SCHAKOWSKY. Thank you, Mr. Chairman. As you said, this is the second hearing of the year and the second in a series on our series of manufacturing, a critical sector of our economy. At the last hearing a small steel company from my district, Black Steel, Joe Black was here to talk about the industry and some of the challenges.

I want to welcome those from the Chicago area, Ed Kurasz from Allied Tube and Conduit Corporation, Mike Rehwinkel from air—

I probably am destroying these names; I am sorry if I am—EVRAZ, Inc., North America, and Mike Rippey, president and CEO of Arcelor Mittal USA.

And so I grew up in Chicago and, of course, I know a lot about old steel on the southeast side of Chicago and northwestern Indiana. I am sorry that Pete Visclosky wasn't able. He is managing a bill on the floor today, but I am anxious to hear about new steel and what is going on right now.

I am focused very much on having an educated workforce that can well serve your industry. Our universities and community colleges and high schools are beginning to really have collaborations with businesses to prepare students for long success in manufacturing and a commitment to the national infrastructure. Without that, the American steel industry will suffer.

The American Society of Civil Engineers reported this week that our national infrastructure is rated as a D plus. I know that sounds bad. It is up from a D 4 years ago. While investments in our Nation's infrastructure, including the American Recovery and Reinvestment Act and a 27-month transportation bill have improved our transportation infrastructure, but a lot of work remains.

And as times have changed, steel production has been able to become more energy efficient while simultaneously meeting the shifting demands of our consumers. Today the effort to develop cleaner energy sources is heavily reliant on steel. Wind turbines are composed of almost 90 percent steel. Wind is one of the fastest growing energy sources in America, representing 35 percent of all newly installed capacity over the past 5 months.

I know my colleagues have talked about the need for an equal playing field, so our steel can compete competitively in the world, and I hope we will talk about that as well.

And in the interest of time, because I know we are going to have a vote before too very long and getting to our witnesses is a top priority, let me yield back my time.

Mr. TERRY. The chair recognizes Mr. Waxman.

**OPENING STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. WAXMAN. Thank you very much, Mr. Chairman. I appreciate your holding this hearing on steel manufacturing. And I want to thank all the witnesses, including our colleague, Mr. Murphy, for being here today.

The steel industry's important. In 2012, steelmakers in the U.S. Produced 96 million tons of steel, the third most in the world. The steel industry employs 160,000 workers directly, and it supports many more jobs in related industries, like construction, automotive assembly and the production of machinery and equipment.

The success of the domestic steel industry is closely tied to the health of the broad economy. When the country's economy is growing, we need steel to build new structures, new cars and new machines, but when the economy contracts, as it did after the collapse of Wall Street in 2008, demand for steel plunges and the U.S. steel industry suffers significant turmoil.

Today the steel industry's total output and capacity utilization are approaching levels historically consistent with stable industry-wide growth. After an unsteady 2012, some industry observers believe that gains in residential construction and the auto industry will make 2013 a good year for steel.

To maximize growth in the long-term, however, we must take several steps to support the U.S. steel industry and ensure it remains globally competitive. First, we must seize the opportunity to improve our Nation's infrastructure. Targeted investments in transportation, water supply, public facilities and our electric grid are needed, and in some cases, long overdue.

According to the American Society of Civil Engineers, 12 percent of the bridges in my home State of California are considered structurally deficient. These must be repaired, and now is the perfect time, given how low interest rates are. Improved road, rail and port infrastructure would lead to efficiencies throughout the steel supply chain and demand for steel would surge as projects got underway.

Second, we must prepare for an innovative future. This means providing incentives for research and development so that the U.S. steel industry can outcompete other nations. It also means ensuring that workers have the education and technical training they need to work in the highly automated steel mills of the future.

Third, we must remain vigilant in the area of trade enforcement. Countries whose steel producers seek to access the U.S. market must keep their commitments under international trade law not to distort the market in their favor. And we must impose anti-dumping sanctions and countervailing duties when warranted.

I understand that steel production is an energy intensive process, and that some witnesses today may speak against energy-related regulations, but we must remember that innovations that make our factories less polluting and our air and water cleaner are good for the environment, our communities and the steel manufacturers.

Through the hard work of improving energy efficiency and using cleaner energy, the U.S. steel industry has become more competitive, allowing it to continue to grow and thrive. We could have both: a clean environment and a vibrant steel industry.

I look forward to the testimony today to learn more about how we can accomplish these goals. And I thank you Mr. Chairman. Yield back.

Mr. TERRY. Thank you, Mr. Waxman. At this time it is my pleasure to introduce our first panel, the chairs, chair and co-chair of the steel caucus in the House. Before introducing Mr. Murphy, I will also—his co-chair is on the floor. Mr. Visclosky is running time on the CR, so he is not able to make it today, but I am sure, Mr. Murphy, you can share his views. And you will not get his 5 minutes, though.

We recognize the gentleman from Pennsylvania, a passionate supporter of the steel industry, Mr. Murphy. You are recognized for your 5 minutes.

**OPENING STATEMENT OF HON. TIM MURPHY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA**

Mr. MURPHY. Thank you, Mr. Chairman. And I want to thank also my good friend Pete Visclosky for his hard work and dedication for this.

Together we lead the steel caucus, which is over 100 lawmakers from 30 States who work to keep steel strong. Usually we do the steel caucus hearings with just our members alone, but I appreciate the opportunity to speak to your subcommittee.

American steel supports 1.2 million jobs and adds \$350 billion to our Nation's economy and serves as a backbone, both literally and figuratively, of America's built environment, our national defense and our economic strength. American steelmaking stands ready for resurgence powered by plentiful fuel resources, new technologies and the most efficient plants in the world.

American steelmakers have tremendous advantages over their foreign competitors, but they need clarity and certainty here at home. New restrictions in the mining of coal and iron ore will make it costly for integrated steelmakers to operate the blast furnaces that produce coke and iron.

Now, if someone has not paid attention during high school science, they may have missed this point: you cannot make steel without coal and other raw materials, and you cannot make steel in the United States without competitively-priced coal, electricity and shipping and rail, trucks, barges, and a competitive and well-trained workforce. And most importantly, we cannot keep our mills open while other countries undermine fair trade.

Meanwhile, our Nation's crumbling infrastructure makes it increasingly difficult for steelmakers to transport goods across the United States. But there is a solution. I have introduced the Infrastructure, Jobs and Energy Independence Act, H.R. 787, to put us on the path to energy independence while creating jobs and fixing our aging roads, bridges, locks and dams without raising taxes, importing OPEC oil or borrowing from China.

This legislation expedites development of our offshore resources, bringing an estimated \$2.2 to \$3.7 trillion in new Federal revenue dedicated—and dedicating some of those new funds to slashing our deficit and rebuilding America's transportation infrastructure. It will launch a massive building boom that will mean big things for the steel industry.

In its 2013 report card for America's infrastructure, the American Society of Civil Engineers estimated that 25 percent of the Nation's bridges are deficient. That is more than 151,000 structures in need of new steel.

Now, steelmakers also face challenges beyond our shores from nations that consistently violate their obligations under international trade agreements. Our steelmakers can win this fight, but only if there are clear standards in place giving them and the working men and women of this country a fair shot at competing and succeeding.

In the March 12th issue of The Wall Street Journal, it reported that Chinese officials are increasingly worried that state-owned steelmakers are expanding capacity while losing money. Faced with

these contradictory conditions and sluggish economy, Chinese steelmakers are dumping their excess product into our markets in clear violation of our international trade agreements.

In the last year, imports from China have grown 34 percent. Across the industry, imports now account for a quarter of steel consumption. And the brightest segment of the steel market, oil country tubular goods, we are finding significant quantities of Chinese-made steel that has been purposefully mislabeled in order to avoid duties and detection by Customs officials.

American manufacturers like U.S. Steel's National Tube plant in McKeesport, Pennsylvania, has been expanding to provide drill and transmission pipe for gas and oil deposits found in places like the Marcellus shale in my congressional district, but now these facilities are scaling back because of the massive influx of cheap government-subsidized foreign steel.

Furthermore, steel from China, Japan, Korea, and several other countries is coming in at a significant price discount because their governments are engaged in illegal currency manipulation.

Yesterday I introduced the Currency Reform for Fair Trade Act, H.R. 1276, along with a group of bipartisan lawmakers, to stop this practice. Foreign governments are illegally controlling currency markets in order to prop up their steel exporters, while our manufacturers suffer slowly and painfully.

And now that China knows they can get away with manipulating currency, other nations like Japan and Korea are doing the same. It is a growing list, and it will continue to grow as long as other countries see a loophole big enough to sail a cargo ship through.

This legislation will give the Department of Commerce and Treasury the necessary tools to build honest and fair trade regulations. America wouldn't tolerate this kind of behavior by domestic companies, so why do we tolerate it by foreign powers? Free trade doesn't have to be free for all where only the naive abide by the rules. We want China and other countries to be honest trading partners and we want them to know we are a welcome source, but not a welcome mat.

Moving forward, our caucus will continue to pursue these issues to ensure American steel remains strong and vibrant for decades to come. And I thank you for this opportunity to appear before you today. And I will welcome any questions.

Mr. TERRY. Your testimony is appreciated.

We don't have time to ask you questions, though, because we want to talk to the people behind you.

Mr. MURPHY. I thank the——

Mr. TERRY. I will just catch you on the floor.

Mr. MURPHY. Thank you very much, Mr. Chairman.

Ms. SCHAKOWSKY. Yes. I——

Mr. TERRY. Ms. Schakowsky.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman. I have a unanimous consent request to put the testimony of Congressman Pete Visclosky into the record.\*

Mr. TERRY. Absolutely. So without objection, so ordered. So thank you, Mr. Murphy. Well done.

\*This document was unavailable at the time of printing.

Mr. MURPHY. Thank you all.

Mr. TERRY. Your timing was great.

Mr. MURPHY. Thank you.

Mr. TERRY. At this time I would like to invite our panel up. And, boy, I will tell you, this is probably one of the most distinguished panels we can have, so this is impressive.

So I am just going to invite all of you up now. Joseph Carrabba, chairman, president and CEO of the Cliffs Natural Resources, currently chair of the American Iron and Steel Institute; John Ferriola, CEO and president, Nucor Corporation, currently chair of the Steel Manufacturers Association, and had the extremely positive, once-in-a-lifetime experience of spending 4 years in Norfolk, Nebraska, running the Nucor facility there; Richard Harshman, chairman, president and CEO of Allegheny Technologies, Inc., also represents the specialty steel industry of North America; Edward Kurasz—Kurasz, I am sorry—executive vice president, Allied Tube and Conduit, currently chair of the Committee on Pipe and Tube Imports; Mr. Mike Rehwinkel, president and CEO of EVRAZ North America; Mike Rippey, president and CEO of Arcelor—I probably have that wrong—ArcelorMittal USA; and John Surma, president and CEO of United States Steel; and then Ms. Yvette Pena Lopes, deputy director of the BlueGreen Alliance.

As you know, the rules, 5 minutes. There is a little machine someplace that will let you know your time. Just because we are going to have votes early in the day here, I would appreciate it if you could stick to the 5 minutes as much as you can. And Mr. Carrabba, I would appreciate it if you would start us.

**STATEMENTS OF JOE CARRABBA, PRESIDENT AND CEO, CLIFFS NATURAL RESOURCES; JOHN FERRIOLA, PRESIDENT AND CEO, NUCOR CORPORATION; RICHARD J. HARSHMAN, CHAIRMAN, PRESIDENT AND CEO, ALLEGHENY TECHNOLOGIES, INC.; EDWARD T. KURASZ, EXECUTIVE VICE PRESIDENT, ALLIED TUBE AND CONDUIT; MIKE REHWINKEL, PRESIDENT AND CEO, EVRAZ NORTH AMERICA; MIKE RIPPEY, PRESIDENT AND CEO, ARCELORMITTAL USA; JOHN SURMA, CHAIRMAN AND CEO, UNITED STATES STEEL CORPORATION; AND YVETTE PENA LOPES, DEPUTY DIRECTOR, BLUEGREEN ALLIANCE**

#### **STATEMENT OF JOE CARRABBA**

Mr. CARRABBA. Thank you, sir. Chairman——

Mr. TERRY. And just turn on your mike and pull it up to you.

Mr. CARRABBA. There we go. Chairman Terry and Ranking Member Schakowsky and distinguished members of the subcommittee, good morning, and thank you for the opportunity to testify today. My name is Joe Carrabba and I am the chairman, president and CEO of Cliffs Natural Resources.

As the current chairman of the American Iron and Steel Institute, I wish to express sincere appreciation of your interest in the state of our domestic steel industry.

In many respects, our industry is at a crossroads. We are an extremely efficient sector with a talented workforce, state-of-the-art technologies, and the ability to furnish products critical to the

broad U.S. manufacturing economy; however, we also face significant challenges arising from a persistently sluggish economic recovery, the surge of unfairly traded steel imports, and an investment climate plagued by overly restrictive regulatory requirements and constant uncertainty in the areas of U.S. tax and fiscal policy.

In a moment, I will speak further to specific policy challenges and opportunities, but first I would like to briefly highlight the economic contributions of this industry.

The company that I lead, Cliffs Natural Resources, is the largest producer of iron ore in North America, and a significant producer of metallurgical coal for steelmaking. As a supplier to the domestic steel industry, Cliffs is a prime example of how steel production in the United States provides economic benefits well beyond those generated by steel manufacturing alone.

In a study commissioned by the American Iron and Steel Institute last year, Professor Timothy Considine of the University of Wyoming found that each job in America's steel industry supports seven jobs in the U.S. Economy. The aggregate national impacts of steelmaking, however, does not come close to capturing the importance of our industry to specific communities and regions across the United States.

A study recently released by the University of Minnesota Duluth found that iron ore mining contributes to more than \$1.9 billion to Minnesota's economy and mining represents 30 percent of the gross regional product of northeastern Minnesota.

Many of you have communities in your districts that share such a profound reliance on the steel industry, its suppliers and the family-sustaining jobs supported by these businesses. Given the acute demand for more of these quality jobs, we are grateful for your focus on our industry and we appreciate the opportunity to share our perspective on public policy matters that will help define the future of steelmaking in the United States.

I would first like to address the importance of sensible energy and environmental regulatory policy. While the CEOs before you today represent different elements of a most diverse industry, we all share reliance on cost-effective sources of energy. Many believe that newly discovered shale gas developments are the most remarkable source of economic growth and prosperity that any of us are likely to encounter in our lifetimes.

However, despite the tremendous promise of this new domestic energy source, persistent permitting delays and an arcane environmental regulatory environment threaten to further degrade the status of the U.S. as the location of choice for all large capital and energy-intensive industries.

Our permitting process is far too protracted, and we increasingly find that Federal agencies are usurping the role of States that States should play in working with industry to innovate science-based solutions, working efficiently to reduce environmental impacts.

In order for our industry to thrive, we need to responsibly develop our American resources while ensuring that U.S. regulatory requirements are as predictable and workable as they are protective and stringent.

In addition to energy, our industry is also concerned with the need for adequate Federal Government investment in infrastructure. Just as iron ore mines and steel mills rely on efficient rail, road and port infrastructure in our supply chains, so too is prosperity of the U.S. economy linked to the adequacy of our national infrastructure. Developing nations, such as China, are recognizing the importance of infrastructure, with massive investments in their transportation networks. The United States can ill afford to fall further behind in this space.

In 2013, Congress should begin developing options to ensure a long-term funding mechanism for the Highway Trust Fund as well as pursue reauthorization of the Water Resource Development Act in order to rehabilitate or replace crumbling infrastructure and enhance global competitiveness in manufacturing.

Lastly, I would like to speak about the stake we all have in our outcome of corporate tax reform. As a capital-intensive industry facing intense competition in global markets, the American steel industry supports tax policies that will make U.S. firms more competitive globally.

In order for tax reform to produce real economic growth and job creation, the Tax Code should not simply be changed to favor less capital intensive sectors of the economy. Rather, the framework for rate reduction must be determined based on what it requires to ensure that all U.S. industries are more globally competitive.

In short, achieving the lower overall statutory tax rate should not come at the expense of a higher effective tax rate for businesses and industries that most support capital investment, job growth and value-added manufacturing.

As industry leaders, we stand ready and willing to work with you on these and other priorities. Today's hearing is an important and encouraging step forward in the realization of the public policy environment that can allow our industry and the economy as a whole to thrive. Once again, I thank you for your time and the invitation to appear before you today.

Mr. TERRY. Thank you very much.

[The prepared statement of Mr. Carrabba follows:]



**Testimony of Joseph A. Carrabba  
Summary**

**State of the U.S. Steel Industry**

- We are an extremely efficient sector with a talented workforce, state of the art technologies and the ability to furnish products critical to the broader U.S. manufacturing economy.
- We also face significant challenges arising from a persistently sluggish economic recovery, the surge of unfairly traded steel imports and an investment climate plagued by overly restrictive regulatory requirements and constant uncertainty in the area of U.S. tax and fiscal policy.

**Economic Impact of the Steel Industry and Related Sectors**

- Cliffs Natural Resources plays a unique and significant role in the domestic steel industry.
- Cliffs is the largest producer of iron ore in North America and a significant producer of metallurgical coal for steelmaking.
- As a supplier to the domestic steel industry, Cliffs is a prime example of how steel production in the United States provides economic benefits well beyond those generated by steel manufacturing alone.
- Each job in America's steel industry supports seven jobs in the U.S. economy.
- The aggregate national impact of steelmaking, however, does not come close to capturing the importance of our industry to specific communities and regions across the United States.
- Given the acute demand for more of these quality jobs, we appreciate the opportunity to share our perspectives on public policy matters that will help define the future of steelmaking in the United States.

**Steel Industry Policy Priorities**

- Energy and Environmental Regulatory Policy
  - We certainly see the potential for shale gas development to fuel a dynamic manufacturing renaissance.
  - Despite the tremendous promise of this new domestic energy source, persistent permitting delays and an arcane environmental regulatory environment threaten to further degrade the status of the U.S. as a location of choice for large capital and energy-intensive industries.
  - Federal agencies are usurping the role that states should play in working with industry to innovate science-based solutions to efficiently reduce environmental impacts.
  - We need to responsibly develop out American resources while ensuring that regulatory requirements are as predictable and workable as they are protective and stringent.
- Infrastructure Investment
  - The prosperity of the U.S. economy is linked to the adequacy of our national infrastructure.
  - Developing nations such as China are recognizing the importance of infrastructure with massive investments in their transportation networks. The United States can ill-afford to fall further behind in this space.
  - In 2013, Congress should begin developing options to ensure a long-term funding mechanism for the Highway Trust Fund, as well as pursue reauthorization of the *Water Resources Development Act*.
- Corporate Taxation
  - As you and your fellow lawmakers consider changes to the tax code, I urge you to critically evaluate the impact of proposed reforms on manufacturing.
  - In order for tax reform to produce real economic growth and job creation, the tax code should not simply be changed to favor less capital-intensive sectors of the economy.
  - In short, achieving a lower overall statutory tax rate should not come at the expense of higher effective tax rates for the businesses and industries that most support capital investment, job growth and value-added manufacturing.

**Closing**

- As industry leaders, we stand ready and willing to work with you on these and other policy priorities.
- Today's hearing is an important and encouraging step toward the realization of a public policy environment that can allow our industry, and the economy as a whole, to thrive.

Testimony of Joseph A. Carrabba  
Chairman, President and CEO, Cliffs Natural Resources Inc.  
*"Our Nation of Builders: The Strength of Steel"*  
Energy and Commerce Subcommittee on Commerce, Manufacturing and Trade  
March 21, 2013

Chairman Terry, Ranking Member Schakowsky and distinguished members of the subcommittee,

Good morning and thank you for the opportunity to testify today. My name is Joe Carrabba and I am the Chairman, President and CEO of Cliffs Natural Resources.

I also have the honor of serving as the current Chairman of the American Iron and Steel Institute. On behalf of AISI and its members, I wish to express our sincere appreciation for your interest in the state of our domestic steel industry. In many respects, our industry is at a crossroads. We are an extremely efficient sector with a talented workforce, state of the art technologies and the ability to furnish products critical to the broader U.S. manufacturing economy. However, we also face significant challenges arising from a persistently sluggish economic recovery, the surge of unfairly traded steel imports and an investment climate plagued by overly restrictive regulatory requirements and constant uncertainty in the area of U.S. tax and fiscal policy. In a moment, I will speak further to some of these challenges and opportunities, but first I would like to briefly highlight the economic contributions of our industry.

The company that I lead, Cliffs Natural Resources, plays a unique and significant role in the domestic steel industry. Headquartered in Cleveland, Ohio, Cliffs is the largest producer of iron ore in North America and a significant producer of metallurgical coal for steelmaking.

For over 165 years, the company has responsibly extracted our American resources for processing into steel and ultimately the manufactured products and infrastructure that provide for our way of life. Cliffs' role in the domestic steel industry can be summed up in one of our company slogans: "Steel Starts Here". As a supplier to the domestic steel industry, Cliffs is a prime example of how steel production in the United States provides economic benefits well beyond those generated by steel manufacturing alone.

In a study commissioned by the American Iron and Steel Institute last year, Professor Timothy Considine of the University of Wyoming found that each job in America's steel industry supports seven jobs in the U.S. economy. The steel industry directly employs roughly 153,000 workers in the United States, and it directly or indirectly supports more than one million U.S. jobs. This significant multiplier effect comes as a result of the roles that companies like Cliffs fulfill in providing raw materials and critical services to support the manufacturing of steel. The aggregate national impact of steelmaking, however, does not come close to capturing the importance of our industry to specific communities and regions across the United States. A study released by the University of Minnesota Duluth Labovitz School of Business and Economics in November 2012 found that iron ore mining alone contributes more than \$1.9 billion in wages, rents and profits to Minnesota's economy. Furthermore the mining industry represents 30 percent of the gross regional product of Northeast Minnesota. Many of you have communities in your districts that share such a reliance on the steel industry, its suppliers, and the family-sustaining jobs supported by these businesses.

Given the acute demand for more of these quality jobs, we are grateful for your focus on our industry, and we appreciate the opportunity to share our perspectives on public policy matters that will help define the future of steelmaking in the United States.

I would like to speak briefly to three particularly important policy areas: energy and regulatory policy, transportation infrastructure investment and corporate taxation.

- While the CEOs before you today represent different elements of a most diverse industry, we all share a reliance on cost-effective sources of energy. The industry has increased its energy efficiency by 27% since 1990 - we lead the world's major steel producing nations in terms of energy efficiency - but access to affordable and reliable sources of energy remains essential to our international competitiveness. Many believe that newly discovered shale gas developments are the most remarkable source of economic growth and prosperity that any of us are likely to encounter in our lifetimes. We certainly see the potential for this domestic resource to fuel a dynamic manufacturing renaissance. However, despite the tremendous promise of this new domestic energy source, persistent permitting delays and an arcane environmental regulatory environment threaten to further degrade the status of the U.S. as a location of choice for large capital and energy-intensive industries. Our permitting process is far too protracted and we increasingly find that federal agencies are usurping the role that states should play in working with industry to innovate science-based solutions to efficiently reduce environmental impacts. In order for our industry to thrive, we need to responsibly develop our American resources while ensuring that regulatory requirements are as predictable and workable as they are protective and stringent.

- In heavy industry, adequate transportation infrastructure is a key element of cost-effectively manufacturing a product and delivering it to market. Just as iron ore mines and steel mills rely on efficient rail, road and port infrastructure in our supply chains, so too is the prosperity of the U.S. economy linked to the adequacy of our national infrastructure. I urge you all to view federal support for roads, bridges, ports and rails, not as expenditures, but as investments in the competitiveness of our nation. These investments benefit communities, support workers, and drive demand for iron ore, steel and many other manufactured products. Developing nations such as China are recognizing the importance of infrastructure with massive investments in their transportation networks. The United States can ill-afford to fall further behind in this space. In 2013, Congress should begin developing options to ensure a long-term funding mechanism for the Highway Trust Fund, as well as pursue reauthorization of the *Water Resources Development Act* in order to rehabilitate or replace crumbling water infrastructure and enhance global competitiveness in manufacturing.
- As a capital-intensive industry facing intense competition in the U.S. and global markets, the American steel industry supports tax policies that will level the international playing field and make U.S. firms more competitive globally. We understand that Congress is seriously considering a major overhaul of the corporate income tax code. As you and your fellow lawmakers consider changes to the tax code, I urge you to critically evaluate the impact of proposed reforms on manufacturing. If not properly structured, a swap of important credits and deductions for a lower rate could well result in a net tax increase for companies such as Cliffs, our domestic steelmaking customers, and manufacturers of all kinds. In order for tax reform to produce real

economic growth and job creation, the tax code should not simply be changed to favor less capital-intensive sectors of the economy. Rather, the key benchmark for determining an appropriate rate reduction must be an analysis of what is needed to promote the international competitiveness of U.S. industry. In short, achieving a lower overall statutory tax rate should not come at the expense of higher effective tax rates for the businesses and industries that most support capital investment, job growth and value-added manufacturing.

As industry leaders, we stand ready and willing to work with you on these and other policy priorities. Today's hearing is an important and encouraging step toward the realization of a public policy environment that can allow our industry, and the economy as a whole, to thrive.

Once again, I thank you for your time and for the invitation to appear before you today.

Mr. TERRY. Mr. Ferriola.

**STATEMENT OF JOHN FERRIOLA**

Mr. FERRIOLA. Good morning. On behalf of our 22,000 teammates, I would like to thank you for this opportunity to appear before you today. My name is John Ferriola. I am president and CEO of Nucor Corporation. I am also chairman of the Steel Manufacturing Association, and I serve on the board of the American Iron and Steel Institute. Nucor is the largest steel producer in the United States and also the largest recycler.

Chairman Terry and members of the committee, I commend you for convening these hearings on America's manufacturing sector. Like you, we at Nucor believe a strong manufacturing base is essential to sustainable economic growth. For years, our company has emphasized the need for America to once again be a Nation that makes, builds and innovates.

Despite the difficult economic conditions of the past 4 years, Nucor has continued to invest in our U.S.-based facilities. Our capital investments since the industry's last peak in 2008, through the end of 2012, totaled almost \$7 billion. We are doing this in a down cycle to position ourselves to be stronger and more profitable when the economy recovers. This investment philosophy has driven tremendous returns for our investments and contributes to our position of strength.

Our largest project currently is the construction of a \$750 million direct-reduced iron plant in Louisiana. Direct-reduced iron is a key ore material we use in the steelmaking process, along with scrap steel. The project is employing over 600 construction workers, and will create 150 full-time permanent manufacturing jobs with the average annual wage of \$70,000.

Bringing this technology back to the United States would not have been possible without an abundant and affordable supply of natural gas. That is why we at Nucor are urging decision-makers to proceed with caution on the issue of LNG exports. We feel strongly that we should not export away a significant domestic competitive advantage.

We have also made investments that will allow us to make products for higher end markets, including automotive, heavy equipment and energy. For example, we are investing \$290 million to expand our capacity to make special bar quality steel at our mills in Norfolk, Nebraska; Darlington, South Carolina, and Memphis, Tennessee.

We are investing another \$115 million to expand production of hot rolled sheet piling at our Nucor-Yamato mill in Arkansas, and we recently completed a \$110 million heat treating facility at our Hertford, North Carolina, plate mill that enables us to produce armored plate for military applications and high end plate steel for the heavy machinery sector.

I am particularly proud that we did not lay off a single teammate during the great recession. Nucor has a long tradition of growing stronger during downturns by investing in our teammates and mills and collaborating with our customers; however, a surge of steel imports that defies market fundamentals puts our ability to reap the benefits of these investments at risk.

Last year steel imports increased 17 percent from 2011 and a whopping 38 percent from 2010, a 38 percent increase in imports in 24 months, meanwhile, U.S. steel capacity utilization was only 72 percent. Imports were up in every major product area and for most major steel-producing nations.

These import levels make no sense whatsoever when you consider the sluggish domestic economic recovery and the fact that American producers are among the lowest cost steel producers in the world. The U.S. enjoys marked advantages in practically every aspect of steelmaking, including access to capital, technology and raw materials, relatively low energy costs, high labor productivity—we will put the American worker up against any worker in the world—and proximity to the U.S. market.

The reason we are seeing this import surge is that, while America is a free market, many major steel-producing countries are not. Foreign governments interfere in the market through state-owned enterprises, import barriers, currency manipulation, raw material export restrictions, and subsidies that are in direct violation of international rules.

India recently imposed new tariffs on hot rolled coil and steel plate. Egypt has import restrictions on rebar. Brazil not only doubled its steel tariff, but is proposing export tax increases on scrap metal in order to discourage its export. And China, by far, is the worst offender. Its highly subsidized steel industry is government-owned and government-controlled, and its market remains heavily distorted and closed to outside competition.

As a result of these trade barriers, the open U.S. market becomes a dumping ground for steel products from all over the world. This is where public policy becomes important. Global trade is governed by a set of rules. If our system of trade is going to work and be fair for all participants, we must use every tool at our disposal to enforce these rules.

Mr. TERRY. Mr. Ferriola, if you can just go to the conclusion at this point.

Mr. FERRIOLA. We have a tremendous opportunity to revitalize the American manufacturing sector and strengthen our economy. If we have strong trade enforcement coupled with other policy areas discussed here today, infrastructure investment, regulatory certainty, domestic energy development, America can once again become a Nation that makes, builds and innovates. Thank you for your time this morning.

Mr. TERRY. Thank you very much.

[The prepared statement of Mr. Ferriola follows:]



**Summary of Testimony of John Ferriola  
Chief Executive Officer & President, Nucor Corporation  
March 21, 2013**

- Nucor is the largest steel producer in the United States. We are also North America's largest recycler.
- We at Nucor believe a strong manufacturing base is essential to sustainable economic growth. Despite the difficult economic conditions of the last four years, Nucor has continued to invest capital in our U.S. facilities. Our capital investments since the industry's last peak in 2008 through the end of 2012 totaled almost \$7 billion.
- Our largest project is the construction of a \$750 million direct-reduced iron plant in Louisiana. The project is employing over 600 construction workers and will create 150 full-time manufacturing jobs with average annual wages of \$70,000. Bringing this technology back to the United States would not have been possible without an abundant and affordable supply of natural gas. That is why Nucor urges decision makers to proceed with caution on the issue of LNG exports.
- We have also made investments that will allow us to make products for higher-end markets, including automotive, heavy equipment and energy.
- A surge of steel imports puts our ability to reap the benefits of these investments at risk. Steel imports increased 17 percent from 2011 and a whopping 38 percent from 2010. Steel imports were up in every major product area and from most major steel producing countries.
- The reason we are seeing this import surge is that while America is a free market, many major steel producing countries are not. Foreign governments in countries like China, India, Brazil and Egypt interfere in the steel market through their state-owned enterprises, import restrictions, raw material export restrictions and subsidies that are in violation of international rules.
- These types of trade restrictions not only distort trade in steel products but also trade in steelmaking raw materials as well.
- There is a solution to these problems – strong trade enforcement. We must get serious about combatting trade violations. This includes removing trade barriers abroad and opening closed markets. It also means using the trade laws to address market distortions like dumping and unfair subsidies, and addressing new types of trade issues, such as evasion and circumvention and the effect of state-owned enterprises.

**House Energy & Commerce Committee  
Subcommittee on Commerce, Manufacturing & Trade  
Written Statement of John Ferriola  
Chief Executive Officer & President, Nucor Corporation  
March 21, 2013**

On behalf of our 22,000 teammates, I would like to thank you for the opportunity to appear before you today. I am John Ferriola, CEO & President of Nucor Corporation. I am also chairman of the Steel Manufacturers Association Board of Directors and on the Board of the American Iron and Steel Institute. With a production capacity of approximately 27 million tons, Nucor is the largest steel producer in the United States. We are also North America's largest recycler.

Chairman Terry and members of the committee, I commend you for the hearings you are holding on the manufacturing sector in America. Like you, we at Nucor believe a strong manufacturing base is essential to sustainable economic growth. For years our company has emphasized the need for America to once again be a nation that makes and builds things.

Despite the difficult economic conditions of the last four years, Nucor has continued to invest capital in our U.S. facilities. Our capital investments since the industry's last peak in 2008 through the end of 2012 totaled almost \$7 billion. We are doing this in a down cycle to position ourselves to be stronger and more profitable when the economy recovers. This investment philosophy has driven tremendous returns for our investors and contributes to our position of strength.

Our largest project is the construction of a \$750 million direct-reduced iron plant in Louisiana. Direct-reduced iron is an important raw material we use, along with scrap steel, in the steelmaking process. The project is employing over 600 construction workers and will create 150 full-time manufacturing jobs with average annual wages of \$70,000. Bringing this technology back to the United States would not have been possible without an abundant and affordable supply of natural gas. That is why we at Nucor are urging decision makers to proceed with caution on the issue of LNG exports. We feel strongly that we should not export away a significant domestic competitive advantage.

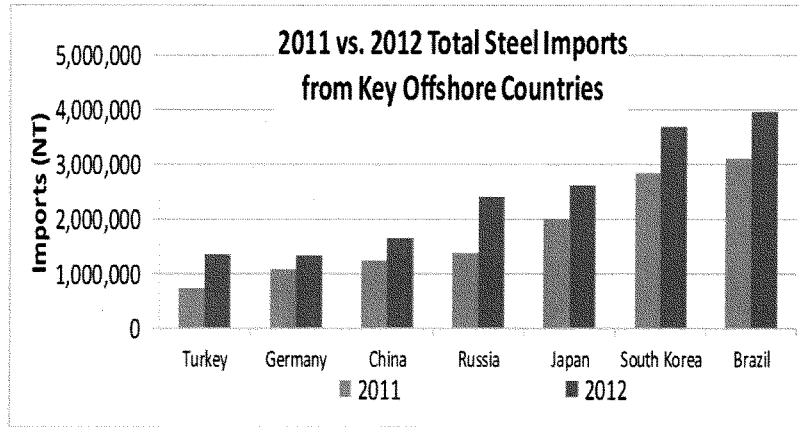
We have also made investments that will allow us to make products for higher-end markets, including automotive, heavy equipment and energy. We are investing \$290 million to expand our capacity to make Special Bar Quality steel at our mills in Norfolk, Nebraska; Darlington, South Carolina; and Memphis, Tennessee. We are investing another \$115 million to expand production of hot-rolled sheet piling at our Nucor-Yamato mill in Arkansas. And we recently completed a \$110 million heat treating facility at our Hertford County, North Carolina plate mill that enables us to produce armor plate for military applications and high-end plate steel for the heavy machinery sector.

I am proud to say that we did not lay off workers during the Great Recession. By continuing Nucor's long tradition of growing stronger during downturns through

investment in our teammates and mills and by collaborating with our customers, we believe we are in a good position. However, a surge of steel imports that defies market fundamentals puts our ability to reap the benefits of these investments at risk.

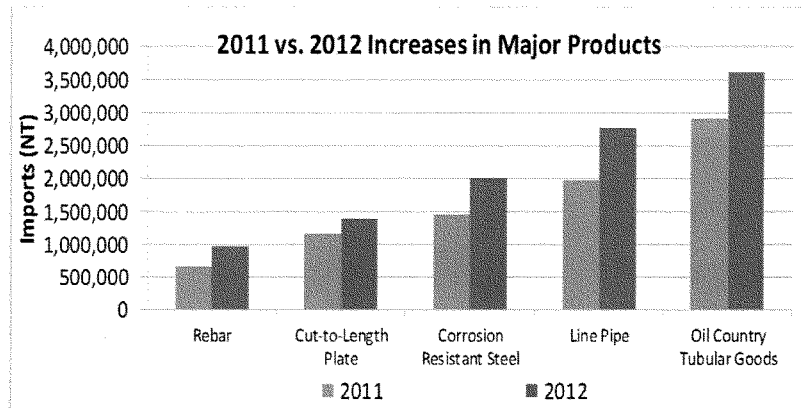
Last year, steel imports increased 17 percent from 2011 and a whopping 38 percent from 2010. Meanwhile, U.S. steel capacity utilization was only 72 percent, which was lower than in 2011. As shown in the charts below, steel imports were up in every major product area and from most major steel producing countries.

For example, in 2012, finished steel imports from Turkey increased 84 percent, while imports from China increased 34 percent, and South Korean imports increased 29 percent. Steel imports from Russia and Brazil also increased substantially. In a market where U.S. capacity utilization remains very weak, any significant level of imports can quickly damage the U.S. industry.



Source: American Iron and Steel Institute, 2013

As shown in the next chart, these increased imports in 2012 vs. 2011 cut across all product lines. This includes products like cut-to-length plate (up 19%), corrosion resistant steel (up 37%), rebar (up 49%), oil country tubular goods (up 25%) and line pipe (up 41%). Countries such as China and Turkey continue to try to move up the value chain to more sophisticated products. Importantly, these countries have no comparative advantage in steelmaking or in finished steel products.



Source: American Iron and Steel Institute, 2013

These import levels make no sense whatsoever when you consider both the sluggish domestic economic recovery and the fact that American producers are among the lowest cost steel producers in the world. The United States enjoys marked advantages in practically every aspect of steelmaking, including: access to capital, technology, and raw materials; relatively low energy costs; high labor productivity; and proximity to the U.S. market.

The reason we are seeing this import surge is that, while America is a free market, many major steel producing countries are not. Foreign governments interfere in the steel market through their state-owned enterprises, import barriers, raw material export restrictions and subsidies that are in violation of international rules. For example:

- India recently imposed new restrictions on hot-rolled coil and steel plate. According to news reports, steel producers seeking to sell their steel products into India must now register with the Bureau of Indian Standards, and products such as hot-rolled coil less than 6 mm thick and plate more than 80 mm thick must now meet the new requirements.<sup>1</sup>
- Egypt has import restrictions on rebar – in December, it imposed new protective tariffs of about 7% on imported steel rebar, which increases the cost by about \$50 per ton.<sup>2</sup>
- Last year, Brazil doubled its import duties on up to 100 products, including 17 steel products. Most duties increased from 12 percent to 25 percent. The increases will be valid for 12 months, but can be extended through the end of 2014.<sup>3</sup> In addition, Brazil is proposing export tax increases on scrap metal in order to discourage its export.<sup>4</sup> Brazil historically has been a difficult market to export to, due to customs and commercial restrictions and high tariffs on both steel and steel-containing products, including automobiles, auto parts, and industrial machinery.<sup>5</sup>

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<sup>1</sup> “India tightening restrictions vs. hot-rolled coil, plate imports,” AMM, March 6, 2013.

<sup>2</sup> “Egypt puts emergency import tariffs on sugar and steel rebar,” Reuters, Dec. 5, 2012.

<sup>3</sup> “U.S. warns Brazil on tariffs, gets stinging rebuke,” Reuters, Sept. 20, 2012.

<sup>4</sup> “Brazil scrap producers, mills clash over potential export tax,” Reuters, Nov. 6, 2012.

<sup>5</sup> USTR 2012 National Trade Estimate Report on Foreign Trade Barriers at 39.

- China is by far the worst offender – its highly subsidized steel industry is government owned and controlled, and its market remains heavily distorted and closed to outside competition. Recent reports indicate that 95 percent of production by China’s 20 largest steel producers is subject to some government ownership, and that the government owns 100 percent of 16 of China’s 20 largest producers.<sup>6</sup> China’s massive overcapacity in steel continues to harm the rest of the world: China’s steel industry has 35 percent more capacity than it needs. Last year, its steel capacity reached an astounding 970 million tons, compared with about 120 million tons for the entire U.S. steel industry.<sup>7</sup>

These types of trade restrictions not only distort trade in steel products, but also trade in steelmaking raw materials. For example, more than 25 countries currently maintain restrictions on scrap and other steelmaking raw materials.<sup>8</sup> The United States, EU, and Mexico have already brought a successful WTO challenge to eliminate China’s export quotas and export taxes on raw materials such as coke, bauxite, magnesium, manganese, silicon carbide, and zinc.<sup>9</sup> Now, a similar case

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<sup>6</sup> “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” Wiley Rein LLP, October 2010.

<sup>7</sup> Chuin-Wei Yap, “China’s Steel Production Climbs 9.8%,” Wall St. Journal, March 12, 2013.

<sup>8</sup> J. Koreinek, J. Kim, “Export Restrictions on Strategic Raw Materials and Their Impact on Trade,” OECD, 29 March 2010; see also Alan Price, “Export Barriers and Global Trade in Raw Materials: The Steel Industry Experience,” Oct. 2009.

<sup>9</sup> “China – Measures Related to the Exportation of Various Raw Materials,” dispute DS 394, 395 and 398, Appellate Body Report issued Jan. 30, 2012.



brought by the United States, EU, and Japan is challenging illegal Chinese restrictions on exports of rare earths, tungsten, and molybdenum.<sup>10</sup>

As a result of these trade barriers, the open U.S. market becomes a dumping ground for steel products from around the world. This dumping continues to present a huge challenge to the U.S. steel industry's recovery. This is where American policy becomes important. Policymakers have a role to play – namely, enforcing our trade laws to ensure our system of global free trade is working fairly.

Global trade is governed by a set of rules. If our system of trade is going to work and be fair to all participants, we must use every tool at our disposal to enforce these rules. The economy will ultimately get stronger, but the ability of the steel industry to participate fully in the recovery requires us to get serious about combatting trade violations. This means removing trade barriers abroad and opening closed markets. It means using the trade laws to address market distortions like dumping and unfair subsidies. And it means addressing new types of trade issues. For example, we support bipartisan legislation to address evasion and circumvention of antidumping and countervailing duties, such as the ENFORCE Act, a bill introduced by Representative Billy Long of this committee last year. In addition, we strongly support the U.S. Government's efforts to impose new disciplines on state-

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<sup>10</sup> "China—Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum," dispute DS 431, 432, and 433, consultations requested March 13, 2012.

owned enterprises as part of the Trans-Pacific Partnership (TPP) negotiations. U.S. manufacturers should not be forced to compete with foreign governments – not here in the United States, not in China, and not in any other country in the world. And in particular, when state-owned enterprises invest in, and operate in, other countries, those investments and operations should take place on a commercial basis.

We have a tremendous opportunity to revitalize the American manufacturing sector and strengthen our economy. If we have strong trade enforcement, coupled with other policy areas discussed here today – infrastructure investment, regulatory certainty, and domestic energy development – America can once again be a nation that makes and builds things.

Thank you.

Mr. TERRY. Mr. Kurasz.

Before you start, we just got notice that the floor was moving faster than we thought, and we probably are not going to get all through, but we will come back, but we are going to keep going until we absolutely have to go to the floor. Mr. Kurasz.

#### STATEMENT OF EDWARD T. KURASZ

Mr. KURASZ. Good morning, Chairman Terry, Ranking Member Schakowsky and——

Mr. TERRY. Could you pull that a little closer?

Mr. KURASZ [continuing]. And distinguished members of the Energy and Commerce Subcommittee on Commerce, Manufacture and Trade. My name is Ed Kurasz. I am the executive vice president of sales at Allied Tube and Conduit and the chairman on the committee on pipe tube imports.

Allied Tube has five production facilities in the United States and we employ nearly 1,000 workers at our headquarter facility in Harvey, Illinois. We permanently closed a facility in Morrisville, Pennsylvania, early last year, which I will discuss shortly. The CPTI that I represent has 42 member companies located in 30 States, with approximately 35,000 workers.

Like other segments of the industry, but probably worse, the U.S. pipe and tube industry has a major import problem. In 2012, we had a record 8.75 million tons of imports. In fact, imports increased by 1.7 million tons over 2011 and captures virtually the entire increase in U.S. consumption of pipe and tube in 2012. OCTG imports took more than half the market and line pipe imports took more than two-thirds of the U.S. market. Korea alone shipped 2 million tons, and numerous other countries, including Vietnam, Turkey, India, Taiwan and many middle eastern countries accounted for massive surges of imports into the U.S. markets.

While seven successful sets of trade cases caused direct imports of pipe and tube from China to fall from a record 3 million tons in 2008 to less than 200,000 tons last year, there has been significant evasion of these orders through transshipment and misclassification. For these reasons, we support the efforts of Congressman Billy Long and others in the House and Senate to pass the ENFORCE Act, which would provide U.S. Customs and Border Protection with necessary tools to end Customs fraud and duty evasion.

While direct imports from China have been curtailed, we believe that as much as half of pipe tube imports entering the United States are made with Chinese steel. According to the OECD, China had approximately 970 million tons of steel capacity and approximately 717 million tons of steel production in 2012. China exported 60 million tons, to make it far and away the world leader in steel exports.

The Chinese government subsidizes its steel industry for policy reasons and makes Chinese steel available to our foreign pipe and tube competitors at ridiculously low dumped and subsidized prices.

We urge this committee to engage the administration in discussions to use World Trade Organization rules to address Chinese government subsidization of its steel industry.

In 2012, both the galvanized steel wire industry and our circular welded pipe industry lost cases at the ITC, which found that despite significant market share losses, modest improvements in the industry as a result of increases in demand after the depth of the recession was cause for negative injury determinations.

We believe the Commission failed to take in account the prescribed statutory obligation to analyze injury in the context of the business cycle. In particular, despite the fact that dumped and subsidized imports from India, Oman, UAE and Vietnam doubled from 100,000 tons to 200,000 tons between 2009 and 2011, grabbing five additional points of market share in the U.S. market, the ITC found operating profit margins of 2 percent with net losses of 2 percent to be a sign of a healthy U.S. pipe industry.

I was quite mystified that commissioners at the hearing and in their written decision did not understand the need for a manufacturing industry to earn its cost of capital. In addition, I was extremely troubled by the Commission's finding that our permanent closure of a mill in Morrisville, Pennsylvania, was not a sign of injury due to imports because our mill equipment was purchased for spare parts.

There is something fundamentally wrong with our trade law system when ITC commissioners do not understand the need for an industry to earn a decent profit margin and don't understand the devastating impact of mill closures on industries, their workers and the surrounding communities.

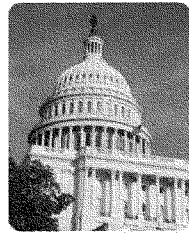
As the two charts displayed demonstrate, the massive pipe and tube import surge of 2012, which has continued in 2013, has caused devastating reductions in U.S. production in 2013. We, therefore, urge Congress to persuade President Obama to appoint ITC commissioners that will vigorously enforce trade laws in accordance with U.S. statutes. We also urge you to hold oversight committee hearings to determine why the Commission is not properly enforcing the injury laws, and to explore legislative changes that will make the intent of these laws even more explicit.

There is no doubt in my mind that without action against massive subsidized Chinese overcapacity and without strong trade law enforcement that our extremely competitive U.S. pipe and tube industry will largely disappear within the next decade. Since we are the second largest consumer of steel in the United States, that will also have a major negative impact on the American steel industry.

Thank you for the opportunity to appear here today. We urge the committee to take all the necessary steps to ensure that our industry can compete in a fair and free trade environment. Thank you.

Mr. TERRY. Thank you, Mr. Kurasz.

[The prepared statement of Mr. Kurasz follows:]



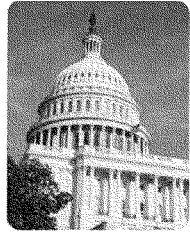
THE  
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PIPE AND  
TUBE  
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Written Statement of Edward T. Kurasz  
 Executive Vice President of Sales, Allied Tube & Conduit  
 Chairman, The Committee on Pipe and Tube Imports (CPTI)  
 Before the U.S. House of Representatives Energy and Commerce Committee  
 Subcommittee on Commerce, Manufacturing and Trade Hearing  
 "Our Nation of Builders: The Strength of Steel"  
 March 21, 2013 - 9:30 a.m. - 2123 Rayburn House Office Building

- Representing Allied Tube and Conduit, a leading steel pipe and tube manufacturer celebrating over 50 years of serving its customers.
- Chairman of The Committee on Pipe and Tube Imports, an association of 42 pipe, tube and fittings producers representing 30 states and over 35,000 workers
- The pipe and tube industry is suffering from massive surges of unfairly traded imports, which not only threatens the future of that industry but also that of the flat-rolled steel industry.
- Transshipment and misclassification of imports that allows importers to evade duties and defraud Customs must be stopped, and we support the passage of the ENFORCE Act that would aid U.S. Customs and Border Protection in that fight
- We believe that the Government of China's continued subsidization of its steel industry and manipulation of its currency continues to threaten our future and Congress and the Administration must take action through legislation and at the WTO.
- Our industry's inability to obtain relief through the current U.S. International Trade Commission further cripples us against the onslaught of imports, and we ask for your assistance in amending the trade laws to provide for the protection of U.S. manufacturers.

**AN ASSOCIATION OF UNITED STATES PIPE, TUBE, AND FITTINGS PRODUCERS**



THE  
COMMITTEE ON  
PIPE AND  
TUBE  
IMPORTS

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Written Statement of Edward T. Kurasz  
 Executive Vice President of Sales, Allied Tube and Conduit  
 Chairman, The Committee on Pipe and Tube Imports (CPTI)  
 Before the U.S. House of Representatives Energy and Commerce Committee  
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Good morning Chairman Terry, Ranking Member Schakowsky and the distinguished Members of the Energy and Commerce Subcommittee on Commerce, Manufacturing, and Trade. My name is Ed Kurasz, and I am Executive Vice President of Sales for Allied Tube and Conduit, a part of Atkore International, in Harvey, Illinois. On behalf of my company and colleagues in the industry, we thank you for holding this timely hearing on the steel industry and its role as a critical contributor to the nation's economy.

Our company manufactures a variety of steel pipe and tube products at facilities located in Phoenix, AZ, Harvey, IL, Kokomo, IN, North Philadelphia, PA, and DePere, WI. Unfortunately in 2012 we closed our facility in Morrisville, PA. I will elaborate on this later in my testimony. At our headquarters in Harvey we are one of the last steel manufacturers on the south side of Chicago that remains open. This location is home to our largest facility that employs nearly 1,000 workers. We have continually reinvested in this world-class, state

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of the art facility since we opened our doors in 1959. We are proud of our history and our commitment to serving our valued customers for over 50 years, and we look forward to keeping with this tradition for many years to come. As a leader in the industry we developed a patented in-line galvanizing technique for our products that is recognized around the world.

It is a privilege to appear before you today as the Chairman of the Committee on Pipe and Tube Imports (CPTI). Our company was one of the founding members of the CPTI when it was established in 1984. Today, CPTI members represent the majority of U.S. steel pipe, tube and fittings producers and employ approximately 35,000 workers nationwide. We have 42 member companies which are located in 30 states. Our members supply the mechanical tubing that supports the automotive, truck, and agricultural industries; standard and structural pipe for building construction, fire protection and infrastructure; stainless and pressure pipe for chemical plants and refineries; and OCTG and line pipe for the energy industry.

Overview of U.S. Pipe and Tube Industry and Impact of Imports

This morning I would like to provide members with a glimpse into our sector of the U.S. steel industry. We are an important customer of the U.S. flat-rolled steel industry since we use steel sheet as the primary input for our welded products. Additionally seamless producers use billets to make their product. The health of our pipe and tube industry is closely aligned with that of the nation's steelmakers, and over the past three decades we have worked together to promote pro-manufacturing policies.

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In 2012, pipe and tube imports in the United States were 8.75 million tons, an all-time high. That represented an increase of 1.7 million tons from 2011 and meant that virtually the entire increase in domestic consumption in 2012 was captured by these imports, with domestic shipments remaining flat. Worse yet is the fact that in the energy tubular areas, the domestic industry has been rapidly increasing capacity and dedicating significant investment to enable greater production of oil country tubular goods (OCTG) and line pipe to meet the projected demands of growing U.S. energy production. However, these new mills are not operating at the capacity levels that their investors envisioned, nor are they hiring as many workers as they could. In fact, in 2012, OCTG imports took more than half of the U.S. market and line pipe imports took more than two-thirds of the U.S. market. For example, Korea alone shipped nearly 2 million tons of pipe to the United States. Korea, a country with no oil or gas drilling of its own whatsoever, and no comparative advantage, has become the largest supplier of pipe and tube products to the U.S. market. Other examples include Vietnam, Turkey, Taiwan, India, and many Middle Eastern countries, who have contributed to the massive import surges of pipe and tube to the United States.

These trends are troubling, and unfortunately our industry has suffered from these influxes of imports for far too long. I would emphasize that our U.S. pipe and tube mills and workers are the most efficient in the world. The cost of U.S. labor in a ton of pipe converted from steel is far less than the cost of ocean freight and port unloading expenses in an imported ton of pipe. As you know, U.S. integrated steel mills have an advantage over foreign competitors because they have access to their own North American iron ore and coking coal supplies. U.S. flat rolled mini mills are absolutely the most efficient converters



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of scrap into steel and the U.S. generates more scrap than any place in the world. Unfortunately for them, 2012 financial results show that these steel mills are selling flat rolled to the pipe and tube industry at about their cost of production without any measurable profit margins. So, what is the problem?

Challenges to the Industry

There are two problems, and we would like to propose to the Committee two solutions that you should consider in the legislative process. The first opportunity for change is China – currently the largest producer of steel in the world and a major exporter of steel to the United States over the past decade. Today, we have orders that restrict imports on seven different pipe and tube products from China. While direct imports of pipe and tube from China have fallen from 3 million tons in 2008 to less than 200,000 tons last year, we have experienced significant evasion of orders through transshipment and misclassification. This has eroded much of the relief intended by the orders. As a result, we have worked with others in the industry to support Customs enforcement legislation that would provide U.S. Customs and Border Protection (CBP) with the necessary tools to end Customs fraud and duty evasion. Our efforts continue through our work with Committee member Rep. Billy Long (MO) and we thank him for his leadership on this legislation and look forward to the reintroduction of the ENFORCE Act.

To understand the challenge that China presents, I believe it will be useful to explore China and its steel industry. Today, China has 250 million tons of subsidized excess steel capacity and has become far and away the largest steel exporter in the world at dumped and

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subsidized prices. Not surprisingly, Korea has become China's single largest export market. In fact, we estimate that more than half of the 8.75 million tons of pipe and tube that was imported in the United States in 2012 was made from Chinese flat-rolled steel.

The Government of China controls approximately 90% of its steel industry. Under Chinese law, a foreign company may not have a controlling interest in a company that melts steel in China. According to the OECD, China had approximately 970 million tons of steel capacity and approximately 717 million tons of steel production in 2012. While China only exports about 10% of its production, those 60 million tons make it far and away the largest steel exporter in the world, and it exports that steel at ridiculously low dumped and subsidized prices. The Chinese government is funding the building of 30 million metric tons of new steel capacity in the south of China through state-owned enterprises (SOEs) in order to maintain growth in the Chinese economy and increase employment for their citizens. Our industry has worked with Congress to obtain support for legislation that would level the playing field. For instance, we support an effort to end currency manipulation by the Chinese and urge Congress to support the Currency Reform for Fair Trade Act, which was reintroduced on March 20, 2013 by Congressmen Levin, Tim Ryan, Tim Murphy, and Brooks. We applaud their efforts and ask you to support this important legislation. We ask Congress to weigh in with the Administration to pursue actions at the World Trade Organization which would end China's subsidization of its steel industry.

Our second obstacle is the inability of the U.S. steel industry to respond to surges of unfairly traded imports by obtaining relief at the U.S. International Trade Commission

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(ITC). Last year both the galvanized steel wire industry and our circular welded pipe (CWP) industry lost cases at the ITC because the Commission found that despite increased imports, these respective domestic industries were showing modest improvement due to increases in demand after the depth of the recession. We are very concerned that the Commissioners are not adhering to the laws as written by Congress. Allow me to present two examples that just begin to illustrate the problem. First, in its November 14, 2012 negative determination in circular welded pipe from India, Oman, the UAE and Vietnam, four countries which the Department of Commerce found were dumping and/or subsidizing pipe into the United States and who had increased their exports to the United States from 100,000 tons in 2009 to 200,000 tons in 2011, the Commission said, and I quote, "we are unpersuaded by petitioners' argument that the domestic industry's operating income margins should have approached 9%, which they allege to be the industry's approximate cost of capital, in the context of the business cycle at the end of the period examined...Finally, we note that petitioners' argument is premised on the assumption that the domestic industry's operating income margin should equal or exceed the industry's cost of capital..."

From my own business experience I find the ITC's statement perplexing. I believe at the foundation for any business, especially in manufacturing that a key principle is to earn your cost of capital. In this case, the data gathered by the ITC showed that the industry had operating margins of 2% and net losses of 2%. Not only were we failing to earn the 9% that we pay for money for non-investment grade bonds, but the industry was not even making enough to pay our interest expenses, i.e. we were losing money. In spite of this, the

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Commission actually found that we were a healthy, profitable industry not vulnerable to increased imports, and the final result was a 4-2 negative determination – a decision that sent shock waves through the industry that continue to be felt today.

Earlier in my remarks I mentioned that one year ago, in March 2012, Allied closed a plant in Morrisville, PA. This facility had a capacity of approximately 100,000 tons making the same CWP products that were unfairly imported into the United States. As a result, 75 hardworking, USW workers permanently lost their jobs. This is what the ITC said about the plant closure in their determination, and I quote, "Although Allied closed the mill in Pennsylvania due in part to subject import competition, other evidence indicates that JMC acquired the mill from Allied in 2012 and restored at least a portion of the mill's capacity by distributing some of the mill's equipment to other JMC mills that would continue to serve the shuttered mill's customers." They cite an American Metal Market (AMM) article entitled "JMC to Buy, Cut and Shut Atkore Plant" from March 14, 2012 and to an affidavit that I submitted as to why we closed that plant in response to unfairly traded imports taking volume away from that plant and selling at prices we couldn't possibly meet. Nothing in my affidavit, nor in that AMM article, supports the ITC statement that using our mill for replacement parts for other JMC mills instead of buying new replacement parts would add to JMC's capacity. It is very troubling as a business executive trying to maintain employment for American workers to face a government agency that it is willing to go out of its way to twist facts or make untrue statements to the detriment of American businesses and American workers. This certainly confirms my view that we have a problem here.

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The result of the ITC’s determination last fall has created an even more challenging environment for us to compete in. The pipe mills in Vietnam, many of which have been moved from China and use Chinese steel, keep ramping up their shipments. The president of the largest mill in the UAE issued a press release the day after the ITC vote, thanking the ITC for its negative determination and pledging to increase exports to the United States. That same company had admitted in a public presentation made in the Middle East that its two primary sources of steel were China and Iran. This entire series of events is disturbing to me and frankly elevates my concerns that swift and powerful reforms must be made at the ITC to ensure that industries can obtain relief from unfairly traded imports.

Today, the combination of a massive buildup of inventory in 2012 of nearly nine million tons of imports and the continued import surge is wreaking havoc on our industry in the first quarter of 2013. The attached charts illustrate the stark reality we are facing. This data, recently released by the AISI, shows industry shipments in January 2013 compared to January 2012. Standard pipe is down 25%, OCTG is down 12%, line pipe is down 26%, mechanical tubing is down 11%, pressure pipe is down 46%, structural tubing is down 16% - overall, down 16%. These downturns support what we know has occurred – a reduction of production shifts and workers’ hours in our industry. We are suffering even in the midst of an economic recovery, all because of unfairly traded imports.

Call for Congressional Action

You have heard about import surges hurting the American steel industry and our segment, the pipe and tube industry. What can this Committee do about it? We have two proposals

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for your consideration. First, urge USTR to work with governments and our major trading partners that have steel industries also being hurt by massive Chinese subsidization of inefficient overcapacity to file a case at the WTO against China's violations of the Subsidies and Countervailing Measures Agreement (SCM). That provision of the WTO code forbids governments from providing funds to make up for companies' operating losses and bars subsidies over 5%. China has violated both of these provisions and action should be taken immediately.

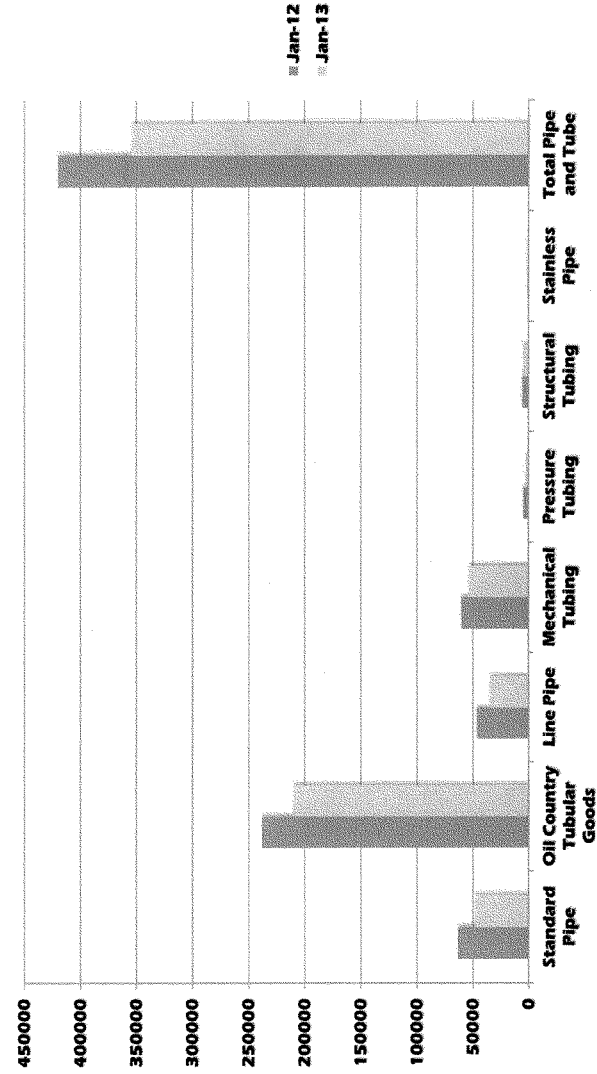
Second, put reform measures in place within the ITC and give American industry the access to trade relief that Congress intended through the passage of the antidumping and countervailing duty laws. Urge the White House to nominate individuals who we know will strongly enforce the trade laws. This Administration has dedicated resources to promoting export growth through its National Export Institute (NEI). Congress, while supporting the NEI, should demand that the Administration propose and implement fair trade initiatives that will ensure a promising future for U.S. manufacturers. Finally, we would urge you to support changes to the injury and threat of injury statutes consistent with our WTO obligations that make it clear that U.S. industries who are facing dumped and subsidized competition should not have extremely high hurdles to gain relief, but that Congress meant it when it said it in the 1979 Trade Act that material injury is injury that is not immaterial, insignificant or inconsequential. These laws need to be revisited.

The CPTI appreciates the opportunity to appear before you today. We sincerely believe that without access to trade relief against unfairly traded imports, our industry will disappear

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within a decade and the flat-rolled steel industry will see more plant closures and greater unemployment for American workers instead of growing with our industry, its second largest customer. We urge the Committee to take steps in the development of broad and effective pro-manufacturing policies that will continue to ensure a bright future for this industry, its workers and their families as well as the local communities that make up this great country. Thank you.

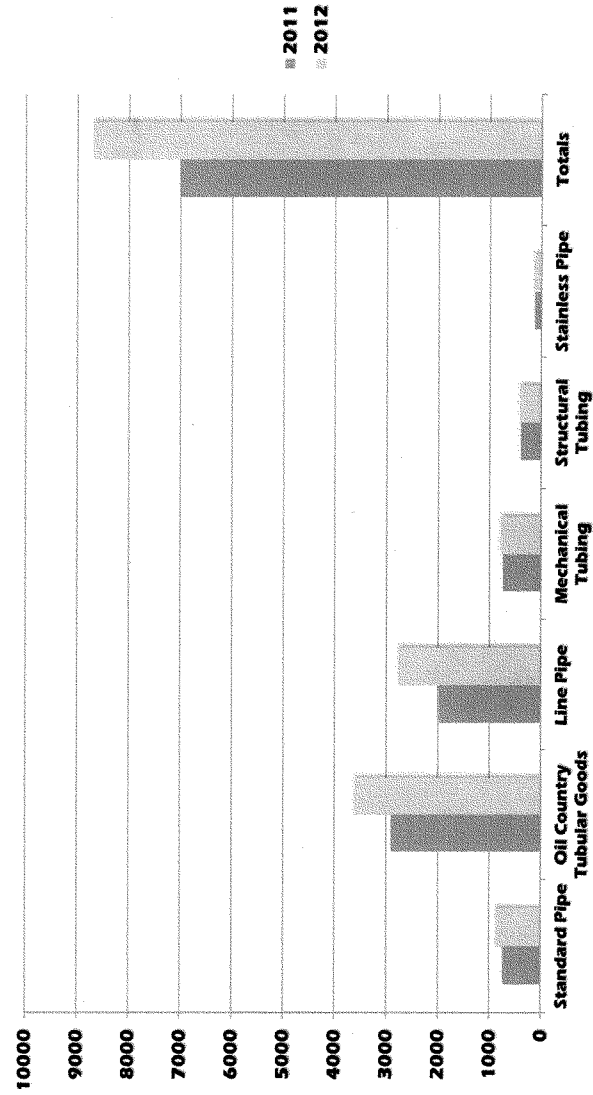
# **DRAMATIC DECLINE IN DOMESTIC PIPE AND TUBE PRODUCTION JANUARY 2012 VS. JANUARY 2013**



Source: American Iron and Steel Institute AIS 10 Report - January 2012 and January 2013  
Prepared by The Committee on Pipe and Tube Imports - March 2013

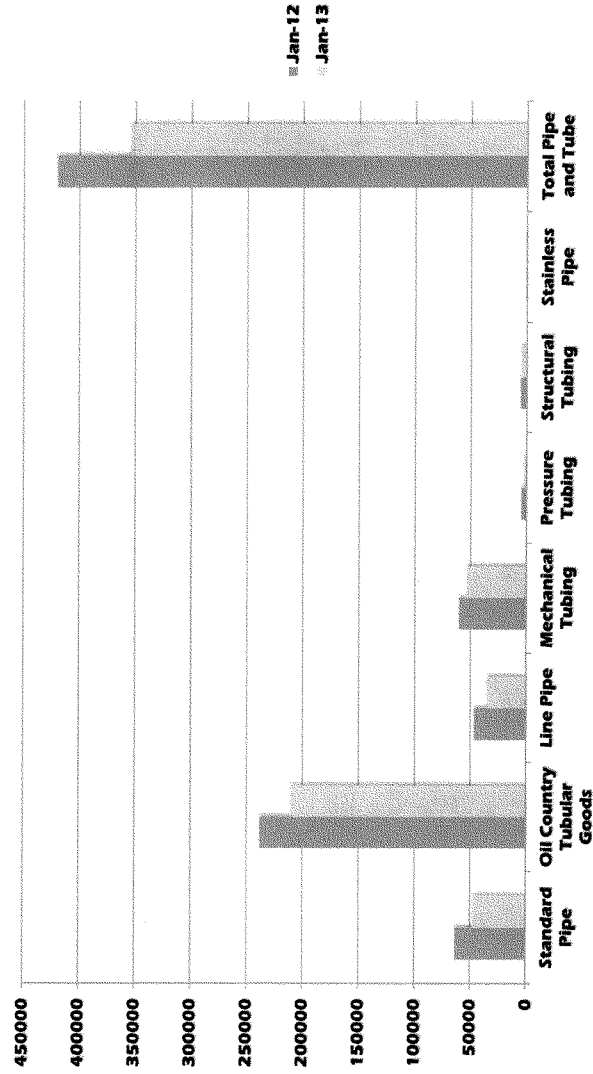


# INCREASES IN PIPE AND TUBE IMPORTS 2012 VS. 2011 (IN 000S SHORT TONS)



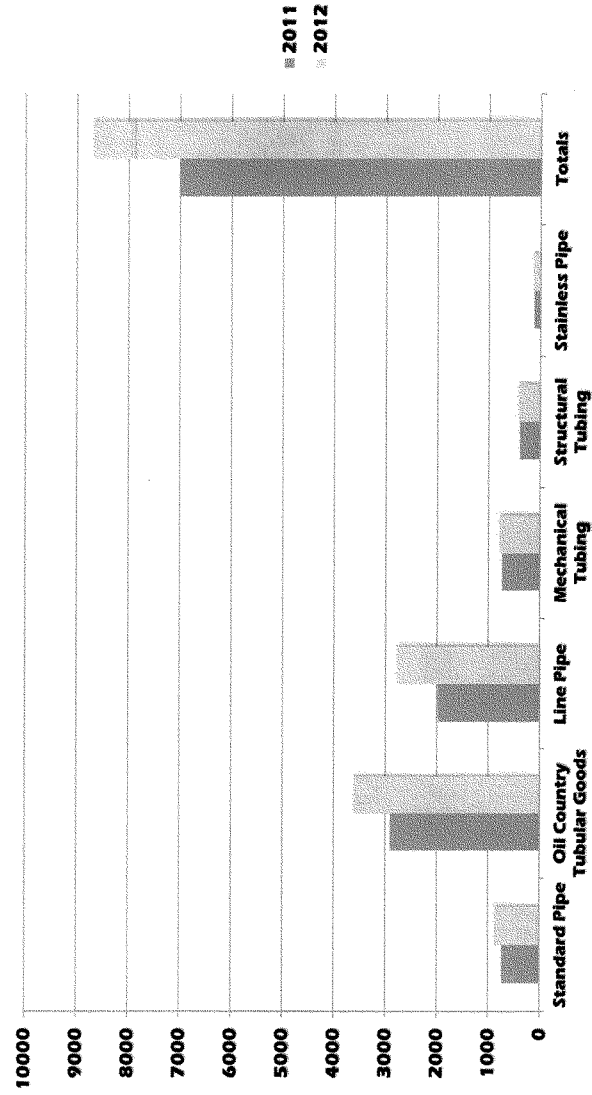
Source: IM 145 – Modified by Canadian Export Statistics [Totals reflect all pipe and tube, some subgroups not included above]  
Prepared by The Committee on Pipe and Tube Imports – March 2013

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# INCREASES IN PIPE AND TUBE IMPORTS 2012 VS. 2011 (IN 000S SHORT TONS)



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Prepared by The Committee on Pipe and Tube Imports – March 2013

Mr. TERRY. Mr. Harshman.

**STATEMENT OF RICHARD J. HARSHMAN**

Mr. HARSHMAN. Good morning. I am the chairman, president and——

Mr. TERRY. Is your mic on?

Mr. HARSHMAN [continuing]. Chairman, president and chief executive officer of Allegheny Technologies, Incorporated. Thank you for inviting me to participate in this hearing. I am appearing on behalf of the specialty steel industry of North America, or SSINA, and my company. SSINA's member companies produce stainless steels, super alloys, high-nickel materials, electrical steel, tool steels, and other high technology materials for critical application.

ATI is one of the largest and most diversified specialty metals producers in the world, with 2012 sales of over \$5 billion. We have over 11,000 full-time employees, 85 percent of whom are located in the United States.

At ATI, we use innovative technologies to offer growing global markets a wide range of specialty metal solutions. Our products include titanium and titanium alloys, nickel-based alloys and super-alloys, zirconium, hafnium and niobium, advance powder alloys, stainless steel and specialty alloys, grain-oriented electrical steel, and highly engineered forgings and castings.

Sales to many of our domestic customers allow them to produce critical products, such as commercial and military airplanes and jet engines, gas turbines, power transformers, oil and gas drilling and completions equipment, products used by global chemical processing industry, and advanced medical equipment. We are one of the few companies in the world which can produce a full lineup of specialty metals in such a wide variety of critical applications.

We understand and believe that the ability to manufacture critical specialty metals for our key growth markets must remain a core competency of the United States both from a national security and a sustainable economic growth perspective.

First I would like to comment on the current state of the specialty metals industry. As the U.S. economy slowly improved, so did demand for our products. The outlook for 2013 is for modest improvement; however, low priced imports continue to take a substantial share of stainless steel market, and were up 12 percent in 2012, with China and Mexico leading the way.

I would also like to mention this is a significant year for our industry, which is celebrating the 100th anniversary of the creation of stainless steel. And we hope you can attend a reception on April 15th, with an exhibit showing the history of stainless steel.

The U.S. specialty metals industry is technologically advanced and competitive in the global economy. ATI, for example, exports about 26 percent of its U.S. production and sells U.S.-made products all over the world. In recent years, ATI has invested more than \$3.7 billion in capital expenditures and strategic acquisitions, nearly all in our facilities located in the United States.

Our most recent strategic investment is the construction of a state-of-the-art \$1.2 billion ATI-funded hot rolling and processing

facility in Brackenridge, Pennsylvania, which is currently scheduled for completion by the end of 2013.

Why has ATI chosen to make these investments in the United States rather than in a foreign country? First, we are a proud U.S. company; second, we believe that to ensure that we remain a technology leader in specialty metals, we need to co-locate our technology development resources with our core manufacturing capabilities.

We believe the best way to achieve the vision is to have the majority of our manufacturing capabilities in the U.S. so that we can be an innovative, high quality, reliable and cost-competitive supplier to our customers. However, as a primarily U.S.-based manufacturer, we must be able to compete on a level playing field with our foreign competitors, several of which are state-owned enterprises.

A level playing field combined with our industry-leading innovation and advanced technology capabilities, our unsurpassed manufacturing capabilities, and the productivity and knowledge of our employees will ensure ATI remains a key contributor to the national security and the economic growth of the United States.

We are optimistic about our ability to continue to grow and invest here in the U.S., however, I would like to raise several policy concerns which may affect our long-term competitiveness. ATI remains supportive of the Department of Energy's preliminary ruling regarding more stringent efficiency standards for distribution transformers. The proposed standards issued after a lengthy negotiated rule-making process established a well-balanced update to the existing standards. The proposal will result in a significant and additional energy savings, it is environmentally responsible and it maintains the domestic manufacturing base for core materials. We urge the Department of Energy to finalize the preliminary ruling expeditiously and without further change.

It is critical that the U.S. retain strong trade laws to allow us to fight pervasive unfair trade practices of our foreign competitors: dumping, government subsidies, protected markets, state-owned enterprises. U.S. companies struggle to compete with government-owned and supported foreign companies, which have easy or low access to capital or may not be required to make the same returns on investment required of the publicly-traded U.S. company.

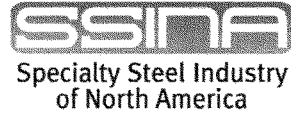
Of particular concern, the government of China continues to subsidize its specialty metals producers by keeping currency valuations low.

Here at home, we are concerned about a new targeted dumping methodology proposed by Commerce and USTR, which will severely weaken our anti-dumping laws. Additionally, we are concerned about the potential use of foreign trade zones to subvert existing tariffs.

ATI is proud to produce materials critical to the national defense. No weapon, naval or aerospace program could function without specialty metals. Congress recognized this more than 40 years ago with the specialty metals amendment, and we encourage Congress to continue to support that. Thank you again for the opportunity to testify, and I would be happy to answer any questions.

Mr. TERRY. Thank you.

[The prepared statement of Mr. Harshman follows:]



**Statement of Richard J. Harshman  
Chairman, President and CEO  
Allegheny Technologies Incorporated**

**Committee on Energy and Commerce  
Subcommittee on Commerce, Manufacturing and Trade  
U.S. House of Representatives**

**March 21, 2013**

**SUMMARY**

*Background:* ATI and other members of the Specialty Steel Industry of North America (SSINA) produce stainless steel, superalloys, high-nickel materials, electrical steel, tool steels and other high-technology materials for critical applications. This is a significant year for the industry, which is celebrating the 100<sup>th</sup> anniversary of the creation of stainless steel. As an industry, we believe that the ability to manufacture critical specialty metals for our key growth markets must remain a core competency of the United States, both from a national security and sustainable economic growth perspective. We are optimistic about our ability to continue to grow and invest here in the U.S. – ATI alone has invested more than \$3.7B in capital expenditures and strategic acquisitions in recent years. That said, we are facing several regulatory challenges that may affect our long-term competitiveness.

*Transformer Efficiency Standards:* We are concerned that DOE has yet to finalize its preliminary ruling regarding more stringent efficiency standards for distribution transformers. The proposed standards were issued after a lengthy negotiated rulemaking process and strike the right competitive balance – DOE should finalize the preliminary ruling without further change.

*Conflict Minerals:* Our companies are working to comply with the SEC's rule on the use of conflict minerals as required by Dodd-Frank. While we are pleased that scrap has essentially been exempted, much of the rule remains unclear and we have received little guidance.

*Trade:* We see substantial evidence of unfair trade practices on the part of our global competitors, such as dumping and foreign government subsidies – we remain particularly concerned about China's undervalued currency. Here at home, Commerce and USTR recently proposed a new "targeted dumping" methodology which will severely weaken our antidumping laws. Additionally, we are concerned about the potential use of foreign-trade zones to subvert existing tariffs.

*Environmental:* We remain opposed to EPA's development of new mercury source control requirements which would effectively preclude the construction of any new facilities in the U.S. – the rulemaking continues despite EPA data confirming that mercury emissions from specialty steel facilities are miniscule. Our industry is also concerned about DOE's proposed plan to release into the market scrap metal from radiological areas – the plan threatens the integrity of the scrap supply as well as consumer confidence in specialty metals and steel products made from recycled material.

*Defense:* Specialty metals are critical to our country's defense industrial base and, as a result, we urge Congress to continue its efforts to ensure that DOD complies with both the spirit and intent of the Specialty Metals Amendment.



**WRITTEN STATEMENT**

Good morning, Mr. Chairman and Members of the Subcommittee. I am Richard J. Harshman, Chairman, President and Chief Executive Officer of Allegheny Technologies Incorporated (ATI). Thank you for inviting me to participate in this hearing.

I am appearing on behalf of the Specialty Steel Industry of North America (SSINA), and my company. SSINA's member companies produce stainless steel, superalloys, high-nickel materials, electrical steel, tool steels and other high-technology materials for critical applications. A list of our members is attached to my statement.

ATI is one of the largest and most diversified specialty metals producers in the world, with 2012 sales of \$5.03 billion. We have approximately 11,200 full-time employees, 85% of whom are located in the U.S. At ATI we use innovative technologies to offer growing global markets a wide range of specialty metals solutions. Our products include titanium and titanium alloys, nickel-based alloys and superalloys, zirconium, hafnium and niobium, advanced powder alloys, stainless and specialty steel alloys, and grain-oriented electrical steel. We also produce highly engineered forgings and titanium castings. Strategic end-use markets for our specialty metals products include, aerospace and defense, oil and gas and chemical process industry, electrical energy generation and distribution, and medical devices and equipment. We are very proud that ATI's direct international sales have grown to 36% of our total revenue. We are also very proud that our sales to many of our domestic customers allow them to produce critical products for domestic and global markets such as commercial and military airplanes and jet engines, gas turbines, power transformers, oil and gas drilling and completions equipment, products used in critical applications by the global chemical processing industry, and advanced medical equipment. We are fortunate in that at this time, we are one of the few companies in the world which can produce a full lineup of specialty metals that can stand up to such a wide variety of critical applications. We understand and believe that the ability to manufacture critical

specialty metals for our key growth markets must remain a core competency of the United States, both from a national security and sustainable economic growth perspective.

#### **State of the Specialty Steel Industry**

First, I would like to comment on the current state of the specialty steel industry. As the U.S. economy improved, so did demand for our products, though at a slow pace. The outlook for 2013 is for modest improvement over 2012. Imports continue to take a substantial share of the market, about 35 percent in 2012. Imports were up 12 percent in 2012 compared to 2011, with China and Mexico leading the way.

We continue to see substantial evidence of unfair trade practices such as dumping and foreign government subsidies to the specialty steel sector. U.S. policy toward state-owned enterprises (SOEs) needs to be clarified and updated so that U.S. producers are competing on a level playing field.

One of the problems we face in the specialty steel industry generally is the lack of new graduates in metallurgy and related technical fields. We need qualified people to support the technological challenges of the future in this high-technology business. We will be meeting with DARPA and the Department of Energy to seek their support in concert with leading universities.

This is a significant year for the specialty steel industry, which is celebrating the 100<sup>th</sup> anniversary of the creation of stainless steel. We hope you can attend a reception on April 15<sup>th</sup> with an exhibit showing the history of stainless steel. We are also scheduling a Congressional briefing at 8:00 am on April 16<sup>th</sup>, to which you will be invited.

#### **U.S. Competitiveness**

The U.S. specialty metals industry is technologically advanced and competitive in the global economy. ATI is a good example. We export about 26 percent of our U.S. production (representing a substantial portion of our international sales); and we sell our U.S. made products all over the world.

We continued to invest in the U.S. during the great global recession and our investments continue today.

In recent years, ATI has invested more than \$3.7 billion in capital expenditures and strategic acquisitions, nearly all in our facilities located in the U.S. Some of ATI's major capital investments include:

- Construction of our \$1.2 billion Hot Rolling and Processing Facility in Brackenridge, Pennsylvania, which is currently on schedule for completion by the end of 2013;
- Construction of our \$500 million titanium sponge facility in Rowley, Utah which received standard grade, or SQ, aerospace qualification in 2012; and
- Construction of our \$260 million titanium and superalloy forging facility and titanium plasma arc melting facility in Monroe, North Carolina. These facilities have been qualified for production of aerospace products.

So, why did ATI choose to invest in the U.S. rather than outside the U.S.? There are several reasons: First, we are a proud U.S. company. Second, we believe that to ensure that we remain a technology leader in specialty metals products, we need to co-locate our technology development resources with our core manufacturing capabilities. At ATI, we aim to continue to build the world's best specialty metals company. We believe the best way to achieve this vision is to have the majority of our manufacturing capabilities in the U.S, so that we can be an innovative, high quality, reliable, and cost competitive supplier to our customers. However, as a primarily U.S.-based manufacturer, we must be able to compete on a level playing field with our foreign competitors. A level playing field combined with ATI's industry leading innovation and advanced technical capabilities, our unsurpassed manufacturing capabilities, and the productivity and knowledge of employees, who are the best in the world, will enable ATI to continue to grow and invest so that ATI continues to be a key contributor to the national security and economic growth and diversification of the United States.

To be successful, we must have a driving desire to improve the speed at which our Company gets better. At ATI, we must be a relentless innovator in everything we do. If we don't, we will surely fall behind.

A recent research study concluded, "...that the innovation cycle in the U.S. is alive and well, and could continue to serve as an engine for future U.S. growth." That same research study mentioned ATI as one of America's innovative companies. The study said, "U.S. specialty metals companies like Allegheny Technologies developed high temperature-resistant alloys like ATI 718Plus® alloy and Rene 65 alloy. These specialty metals increase the efficiency of jet engines by allowing [the engines] to burn hotter."

But, like other specialty metals and steel companies, it is critical that the U.S. retain strong trade laws to allow us to fight pervasive unfair trade practices of our foreign competitors – dumping, government subsidies, protected markets, state-owned enterprises. U.S. companies struggle to compete with government-owned and supported foreign companies which have easy or low cost access to capital or may not be required to make the same returns on investment required of a publicly-traded U.S. company.

#### **DOE Distribution Transformer Efficiency Standards**

ATI remains supportive of the Department of Energy's preliminary ruling regarding more stringent efficiency standards for distribution transformers. The preliminary ruling was issued in February of 2012 but has not yet been finalized. The proposed efficiency standards were issued after a lengthy negotiated rulemaking process, where the DOE considered the views of all stakeholders and arrived at standards that will maintain a competitive balance between grain-oriented electrical steel transformer cores and long-standing alternative materials. More radical increases in mandatory efficiency would result in the wholesale replacement of grain-oriented electrical steel with a core amorphous material that is manufactured on a very limited basis relative to the size of the U.S.

distribution transformer market by a single foreign-owned company that currently exports much of its production. Uncontrolled price increases and supply shortfalls would likely follow, resulting in rising costs that would be passed on to consumers of electricity. This scenario would also damage the dwindling manufacturing base in the U.S. and could lead to a situation where no domestically-owned company would produce the strategically important core material for transformers. The DOE's preliminary rule establishes a well-balanced update to the distribution transformer efficiency standards which results in significant additional energy savings, is environmentally responsible, and maintains the domestic manufacturing base for core materials. Accordingly, we believe it is critical that the DOE finalize the preliminary ruling without further change.

#### **Conflict Minerals**

Now that the SEC has announced its rule on the reporting of the use of conflict minerals, our companies are working on compliance – though the rule has not yet taken effect. We are pleased that scrap has essentially been exempted, as it is impossible to trace the original sources of the ingredients in steel scrap. Other aspects of the rule remain unclear, and in part because of pending legal challenges, the SEC has been unwilling to provide further guidance. We appreciate the support of the Members of Congress in encouraging the SEC to take a realistic approach to enforcement of the conflict minerals rule. It is important to note, however, that while we support the spirit of the rule, it seems clear to us that the SEC and U.S. public companies are not in the best position to effectively pursue this kind of geo-political enforcement policy.

#### **China's Currency Remains Significantly Undervalued**

China's undervalued currency remains a significant problem. The Government of China continues to subsidize its specialty steel and other specialty metals producers by keeping its currency undervalued. China continues to build massive new capacity for producing stainless steel and other

specialty metals. We appreciate the continuing support of the majority of Members of Congress for legislation to address this ongoing problem.

#### **Antidumping Cases**

We are very concerned about a proposal by the Department of Commerce and USTR to make a major change in the methodology of calculating antidumping margins. The proposed new “targeted dumping” methodology will weaken a key trade law. We will continue to keep you informed about this matter.

#### **Use of Foreign-Trade Zones**

We are concerned that the Foreign-Trade Zones Board is considering applications for manufacturing authority that – if granted – would enable the applicants to avoid significant inverted tariffs. We believe that a decision to grant such applications would be contrary to the FTZ Board’s regulations and precedent, and that actions to diminish or eliminate inverted tariffs should be taken only by the Congress in connection with its constitutional responsibilities to establish import duties.

#### **Environmental Issues**

ATI and SSINA remain opposed to EPA’s ongoing development of a rule that would replace existing common sense and effective mercury source control requirements with numeric emission limits and expensive monitoring. Despite no legal mandate to do so, EPA’s new rule effectively would preclude the construction of any new facilities in the U.S. For specialty steel and other specialty metals, this effort is particularly troubling because EPA data confirm that mercury emissions are truly miniscule – less than one-tenth of a pound per year at a representative mill. This is due to the stringent scrap specifications our companies use to prevent mercury in our feedstocks. EPA should exclude the specialty steel and specialty metals sector from the scope of the rulemaking.

In addition, we oppose DOE’s proposed plan to release into the market scrap metal from radiological areas that it labels as “uncontaminated.” Unfortunately, this scrap is not truly clean. The

plan would allow the release of scrap with levels of radiation that will trigger detectors at our mills. The plan threatens the integrity of the entire scrap supply and threatens consumer confidence in all specialty metals and steel products made from such recycled material.

#### **Defense Issues**

Specialty metals are critical to the defense industrial base of the U.S. No weapon, naval, or aerospace program could function without specialty metals, including specialty steels and other high performance materials like titanium and superalloys. Congress recognized this more than 40 years ago when it enacted into law the Specialty Metals Amendment, which requires that all specialty metals used in defense programs be melted in the U.S. We have fought for decades to ensure this law is properly administered and enforced by the Department of Defense. Congress has had to intervene on several occasions when DOD strayed from the clear meaning of the law.

ATI is proud to provide materials critical to the national defense. We are the only company in the world able to produce certain advanced high performance specialty materials. We can afford to do so, however, only if our basic commercial business is healthy. For that reason, it is essential that DOD and Congress continue to support the long-standing laws which enable ATI to produce vital materials for our defense sector.

**MEMBERS OF THE**  
**Specialty Steel Industry of North America**

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March 2013

**ATI Allegheny Ludlum**  
Pittsburgh, Pennsylvania

**North American Stainless**  
Ghent, Kentucky

**ATI Allvac**  
Monroe, North Carolina

**Talley Metals Technology, Inc.**  
A Carpenter Company  
Hartsville, South Carolina

**Carpenter Technology Corporation**  
Reading, Pennsylvania

**Universal Stainless and Alloy Products**  
Bridgeville, Pennsylvania

**Crucible Industries LLC**  
Solvay, New York

**Valbruna Slater Stainless Inc.**  
Fort Wayne, Indiana

**Electralloy**  
Oil City, Pennsylvania



Mr. TERRY. We have 6 minutes before we have to go to the floor and make our votes, so we are going to have one last witness. Mr. Surma, Mr. Rippey and Ms. Pena Lopes, we will wait till we get back. We will probably gavel and go. You are invited to our anteroom, which actually has coffee.

Mr. Rehwinkel.

#### STATEMENT OF MIKE REHWINKEL

Mr. REHWINKEL. Mr. Chairman and members of the committee, I am Mike Rehwinkel, president and CEO of EVRAZ North America. My company makes flat, long and tubular steel for a variety of industries, including the energy sector, infrastructure like rail, bridges and roads, building construction, and we are very proud of the armor plate we developed for the U.S. military. We employ 4,500 people in the United States and Canada. Roughly half of the employees work in our Pueblo, Colorado, Portland, Oregon, and Claymont, Delaware, operations. In the last 56 years, we have made more than 20,000 miles of pipe.

Thank you for the opportunity to discuss the future of steel manufacturing in this country. Today I want to join my colleagues in painting a picture of what our industry needs to support the nearly 154,000 well-paying jobs we currently provide for American steel workers and to create new jobs for the future.

Modern steel mills are highly technical operations, they require billions of dollars in capital investments, demand a highly skilled labor force. After touring the EVRAZ Colorado mill, U.S. Senator Michael Bennett said, "I have got it. These are the middle class jobs we are talking about in Washington and this is a place that creates them."

Steel companies in America are very responsible corporate citizens, strong stewards of the environment. In fact, EVRAZ is a largest recycler in Colorado and Delaware. We make new steel products from scrap metal.

Mr. Chairman, to be competitive in today's market, we need a reasonable and streamlined regulatory approval process for the construction and permitting of new facilities or modernization of existing ones. If we are going to create and maintain the jobs this country needs right now, the process should meet the letter and spirit of the law. The process should be timely and provide a high degree of certainty that once the requirements are met, the project will be able to proceed. It should be a proceeding that recognizes the scope of the project being considered.

Currently, navigating the bureaucratic permitting process is extremely frustrating in terms of the time, scope and uncertainty. It has become controlled by special interests that raise issues outside the purview of the process simply to delay an approval.

To continue to have a healthy industry, regulations should be well defined and we need to have a good working relationship with regulators to obtain the most efficient results. A case in point: the proposed Keystone XL Pipeline. This project includes 550 miles of my pipe. It will provide a competitively priced, reliable North American supply option for Gulf Coast refinery. Its completion is important for several compelling public policy reasons. Pipelines

are safe, efficient form of transportation for liquids and gases. The required regulations regarding Keystone construction, operation and safety have been met, yet ongoing delays, reviews and questions, alternative routing have delayed this particular project. These delays are undermining the goal of secure, stable energy supplies in our country.

Permitting reviews should continue to be fact-based and focused on individual projects. Additional studies with secondary implication of production activities like refineries or supplementary pipeline should be evaluated independently of the appropriate government agencies.

Approval time frames must be reasonable. Keystone was approved by the Department of State and 11 cooperating agencies. It has been exceptionally comprehensive. There was rigorous environmental review and ample opportunity for public input and participation.

In summary, the needs of the Nation and special interests were both considered, the Keystone Pipeline met all regulatory hurdles, and it should be allowed to proceed without further delay.

Finally, I would like to point out that it is North American products that meet the high quality standards for steel products in general and this pipeline in particular. The economic boost the energy renaissance will provide in terms of the increased production and jobs should be benefits enjoyed by north Americans, not foreign countries flooding us with subsidized and unfairly traded imports that may be of inferior quality.

We in the steel industry will gladly meet or exceed all regulatory requirements, but we need our government's support to ensure that once these requirements are met, we can get our U.S. steelworkers back to making the products we need to rebuild and repair our Nation's infrastructure and get our natural resources to market. Thank you for your time.

Mr. TERRY. Perfectly done. I appreciate that.

[The prepared statement of Mr. Rehwinkel follows:]

Mike Rehwinkel – President and CEO  
EVRAZ North America  
Summary and Testimony  
“Our Nation of Builders: The Strength of Steel” Hearing  
Thursday, March 21, 2013  
Subcommittee on Commerce, Manufacturing, and Trade

Summary

EVRAZ North America is a steel manufacturer that employs 4500 people in North America, with roughly half of our employees in the U.S. Our mills are highly technical operations that require billions of dollars in capital investments and demand a highly skilled labor force.

To be competitive in today’s market, we need a reasonable, streamlined regulatory approval process for the construction and permitting of new facilities or modernization of existing ones. They should meet: the letter and spirit of the law; be timely and provide a high degree of certainty that once the requirements are met, the project will be able to proceed; and with the proceedings, recognize the scope of the project being considered.

Currently the bureaucratic permitting process has become controlled by special interests that raise issues outside the purview of the process simply to delay an approval. To continue to have a healthy industry, regulations should be well defined.

A case in point is the proposed Keystone XL Pipeline. It contains 550 miles of pipe made by EVRAZ North America. It will provide a competitively-priced, reliable North American supply option for Gulf Coast refineries and has met extensive regulatory approvals; yet it is being delayed. This is undermining the goal of secure, stable energy supplies in our country.

Further, the economic boost the energy renaissance will provide in terms of increased production and jobs should be benefits enjoyed by North Americans – not foreign countries flooding us with subsidized, unfairly traded imports that may be of inferior quality.

We in the steel industry will gladly meet or exceed all regulatory requirements. But we need our government’s support in ensuring that once those requirements are met, we can get our U.S. steelworkers busy making the products needed to rebuild and repair our nation’s infrastructure and get our natural resources to market.

Mike Rehwinkel – President and CEO  
 EVRAZ North America  
 Summary and Testimony  
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 Thursday, March 21, 2013  
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**Testimony**

Mr. Chairman and members of the committee, I'm Mike Rehwinkel — President and CEO of EVRAZ North America. My company makes flat, long and tubular steel for a variety of industries. These include the energy sector; infrastructure like rail, bridges and roads; building construction; and we're very proud of the armor plate we developed for the U.S. Military. We employ 4500 people in the United States and Canada. Roughly half of the employees work in our Pueblo, Colorado; Portland, Oregon; and Claymont, Delaware, operations. In the last 56 years, we've made more than 20,000 miles of pipe.

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Steel companies in America are very responsible corporate citizens and strong stewards of the environment. In fact, EVRAZ is the largest recycler in Colorado and Delaware. We make new steel products from scrap metal.

Mr. Chairman, to be competitive in today's market, we need a reasonable and streamlined regulatory approval process for the construction and permitting of new facilities

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or modernization of existing ones. If we are going to create and maintain the jobs this country needs right now:

- The process should meet the letter and spirit of the law.
- The process should be timely and provide a high degree of certainty that once the requirements are met, the project will be able to proceed.
- It should be a proceeding that recognizes the scope of the project being considered.

Currently, navigating the bureaucratic permitting process is extremely frustrating in terms of time, scope and certainty. It has become controlled by special interests that raise issues outside the purview of the process simply to delay an approval. To continue to have a healthy industry, regulations should be well defined. And we need to have a good working relationship with regulators to obtain the most efficient results.

A case in point – the proposed Keystone XL Pipeline. This project includes 550 miles of my pipe. It will provide a competitively-priced, reliable North American supply option for Gulf Coast refineries. Its completion is important for several compelling public policy reasons:

- Pipelines are a safe, efficient form of transportation for liquids and gases. The required regulations regarding Keystone’s construction, operation and safety have been met. Yet ongoing delays, reviews and questions of alternative routing have delayed this particular project. These delays are undermining the goal of secure, stable energy supplies in our country.

Mike Rehwinkel – President and CEO  
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Summary and Testimony  
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Permitting reviews should continue to be fact-based and focused on individual projects. Additional studies or secondary implications of production activities (like refineries or supplementary pipelines) should be evaluated independently by the appropriate government agencies.

- Approval time frames must be reasonable. Keystone was approved the Department of State and 11 cooperating agencies. It has been exceptionally comprehensive. There was rigorous environmental review and ample opportunity for public input and participation. In summary, the needs of the nation and special interests were both considered, the Keystone Pipeline has met all regulatory hurdles, and it should be allowed to proceed without further delay.

Finally, I'd like to point out that it's North American products that meet the high quality standards for steel products in general and pipeline products in particular. The economic boost the energy renaissance will provide in terms of increased production and jobs should be benefits enjoyed by North Americans — not foreign countries flooding us with subsidized and unfairly traded imports that may be of inferior quality.

We in the steel industry will gladly meet or exceed all regulatory requirements. But we need our government's support to ensure that once those requirements are met, we can get our U.S. steelworkers back to making the products we need to rebuild and repair our nation's infrastructure and get our natural resources to market.

Thank you for your time.

Mr. TERRY. Members, we have a minute three, but 288 of us have yet to vote. We will see you in a little bit.

[Recess.]

Mr. TERRY. We have gotten word that Jan is on her way, but we can go ahead and start.

So, Mr. Surma, you are up.

#### STATEMENT OF JOHN SURMA

Mr. SURMA. Thank you very much, Chairman Terry and members of the subcommittee.

I would like to start by thanking you for devoting an entire hearing to the state of our steel industry. We have long recognized that our industry has a true champion in your distinguished colleague, Steel Caucus Chairman Murphy, who was just with us, and we appreciate the efforts he puts forth on the policy and political front to advance our steel industry's interests. Your willingness to hold today's hearing speaks volumes about Mr. Murphy's enthusiasm and persistence in promoting an industry that is important to the country, especially to his district, where I live, and his State, where we are headquartered, and we employ nearly 6,000 people.

Steel is a globalized industry that competes fiercely on costs and quality to win and keep markets. Too often some of our biggest challenges come from counterproductive and costly government policy and regulation. The Energy and Commerce Committee knows these problems well, and we appreciate your efforts to conduct vigorous oversight of U.S. EPA regulations and guidance, and to attempt to achieve a better cost-benefit analysis of individual rulemakings, as well as a cumulative cost of regulatory compliance.

I will spend my brief time this morning talking about America's natural gas success story and how it is affecting the steel industry and our company.

Just a few short years ago, few could grasp the economic, social, and environmental potential that would be unleashed by the discovery and technological mastery of bringing America's shale resources to market in the form of oil and natural gas. Today, however, we read U.S. Government reports projecting that the United States will be the largest energy producer in the world by 2020.

As a result of this new supply source and our ability to extract it safely and economically, there is a renaissance under way in the manufacturing sector. It is propelled by the availability and competitive pricing of natural gas. Electric utilities; industrial users, including refiners, chemicals, steel, and the transportation sector; and households are all turning to natural gas as a clean and cost-effective energy source.

United States Steel Corporation has been manufacturing high-quality steel products for more than 100 years. Since 1901, our products have included pipes and tubes for energy industry customers, and today we are the largest supplier of these products in North America.

As the energy industry has increased its domestic exploration and production efforts, new markets have emerged for steel tubular products and services. The energy sector has been a rare bright spot for us during a challenging period of economic recession and painfully slow growth in the rest of the economy.

We built and invested in a new joint venture in northern California to produce large-diameter spiral-welded pipe to serve pipeline and distribution customers. We are designing new grades of steel and new products, such as our PATRIOT and USS LIBERTY premium connections to serve the exacting requirements of shale drilling and production. We are adding new capabilities at our operating facilities to serve our customers' growing and changing needs, including a new \$100 million finishing facility in Lorain, Ohio, began operations in late 2011, created 100 new full-time jobs, and the refurbishment and reopening of McKeesport Tubular operations just south of Pittsburgh.

U.S. Steel is also one of the country's largest natural gas consumers. In fact, we consume all forms of energy, including natural gas, coal, coke, electricity, and biomass. To give you an idea of our natural gas use, in 2012, U.S. Steel used more than 130 million MMBTUs of natural gas across our North American facilities. So ever \$1 change on the NYMEX is over \$100 million impact on our bottom line on an annual basis.

The current competitive price situation has been very positive for our steel-producing activities, where we use 6 MMBTUs per ton of steel shipped. Here in the U.S. Those 6 MMBTUs cost us around \$25. In Europe, where we also operate, those same 6 MMBTUs cost us close to \$75. Twenty-five dollars here, 75 in Europe. That is called being competitive, and that is reality.

We are as concerned as anybody about prices and volatility, but we also have great confidence in the ability of our domestic share reserves and the energy industry to meet America's natural gas requirements if they are permitted to do so.

Competitively priced natural gas has enabled us to enhance our industrial processes and technologies, while improving our environmental performance along the way. As you know, natural gas emissions contain about half the greenhouse gases present in coal emissions. So every ton of coal we can replace with natural gas helps us to reduce our total emissions.

One example is increased injection of natural gas to our blast furnaces in order to reduce our usage rates for coke, which we derive from coal, an important material in our iron-making process. We now have the ability to optimize the blend of fuels to attain the lowest carbon cost for each particular furnace as well as to make adjustments to maintain that cost based on the changing relationship between coke, injection coal, and natural gas.

Let me close my remarks with a couple of comments concerning the recent surge in imported steel products generally, which my distinguished colleagues have discussed, but specifically on pipe and tube imports.

In 2010, the U.S. Imported almost 2.3 million tons of oil country casing and tubular goods used in exploration in developments of oil and natural gas. Last year the U.S. Imported over 3.4 million net tons of these high-tech, high-value-added products, an increase of more than 51 percent over a 2-year period.

Some foreign production have been even more aggressive. Since 2010, casing and tubing imports from South Korea are up more than 58 percent, imports from Taiwan are up more than 88 per-



cent, and imports from Saudi Arabia are up more than 420 percent. Same story is true for many other pipe products.

Even though the last year featured a relatively strong market for OCTG, public pricing sources estimate that U.S. Prices of casing and tubing fell by as much as \$200 per net ton. Very disconcerting following large capital investments to serve the sector by our company and others.

Let me just conclude by saying that the shale gas revolution holds great promise for American industry and workers. We believe the import surge problem calls for strong responses from all who believe that true market-based competition is the best pathway to prosperity. The time has come for a strong global consensus that winners and losers in the steel business should be determined by hard work, innovation, costs and competition, not by market-distorting government programs.

Mr. TERRY. Thank you very much.

[The prepared statement of Mr. Surma follows:]

Oral Statement of John P. Surma

Chairman Terry, Members of the Sub-Committee, I'd like to start by thanking you for devoting an entire hearing to the state of the steel industry. We have long recognized that our industry has a true champion in your colleague, Steel Caucus Chairman Tim Murphy, and we appreciate the efforts he puts forth on the policy and political front to protect and advance our interests. Your willingness to hold today's hearings speaks volumes about Mr. Murphy's enthusiasm and persistence in promoting an industry that is important to the country, especially to his district, where I live, and state, where we are headquartered.

Steel is a globalized industry that competes fiercely on cost and quality to win and keep markets. Too often, some of our biggest challenges come from counterproductive and costly government policy and regulation. The Energy and Commerce Committee knows these problems well and we appreciate your efforts to conduct vigorous oversight of US EPA regulations and guidance, and to attempt to force better cost-benefit analysis of individual rulemakings, as well as the cumulative cost of regulatory compliance and the opportunity costs associated with lengthy and uncertain environmental permitting processes.

I'd like to spend my time this morning talking about America's natural gas success story and how it is affecting the steel industry.

Just a few short years ago, few people anywhere could grasp the economic, social, and environmental potential that would be unleashed by the discovery and

technological mastery of bringing America's shale resources to market in the form of oil and natural gas. Today, however, we read U.S. Government reports projecting that the United States will be the largest energy producer in the world by 2020.

As a result of this new supply source and our ability to extract it safely and economically, there is a renaissance underway in the manufacturing sector. It is propelled by the availability and competitive pricing of natural gas. Electric utilities, industrial users including refiners, chemicals, steel, and the transportation sector, and households are all turning to natural gas as a clean and cost effective energy source.

United States Steel Corporation has been manufacturing high-quality steel products for more than 100 years. Since 1901, our products have included pipes and tubes for energy industry customers and today we are the largest supplier of these products in North America. We are delighted and excited to be serving the shale development market.

As the energy industry has increased its domestic exploration and production efforts, new markets have emerged for steel tubular products and services. The energy sector has been a rare bright spot for us during a challenging period of economic recession and slow growth in the rest of the economy.

- We built a joint venture in Northern California to produce large diameter, spiral welded pipe to serve pipeline and distribution customers.
- We are designing new grades of steel and new products, such as our PATRIOT TC™ and USS-LIBERTY FJM™ premium connections, to serve the exacting requirements of shale drilling and production.
- We are adding new capabilities at our operating facilities to serve our customers' growing and changing needs, including a new \$100 million finishing facility in Lorain, Ohio, that began operations in late 2011 and created 100 new full-time jobs, and the refurbishment and re-opening of McKeesport Tubular operations south of Pittsburgh.
- We have also added new sales offices in Houston and Calgary to better serve customers.

U. S. Steel is also one of the country's largest natural gas consumers. In fact, we consume all forms of energy, including natural gas, coal, coke, electricity, and biomass. To give you an idea of our natural gas use, in 2012 U. S. Steel used more than 130 million MMBTUs of natural gas across our North American facilities, so every \$1 change on the NYMEX is over a hundred million dollar impact for us on an annual basis. The current, competitive price situation has been very positive for our steel producing activities, where we use 6 MMBTUs per ton of steel shipped. Here in the U.S., these 6 MMBTUs cost us around \$25, in Europe, where

we also operate, those same 6 MMBTUs cost us close to \$75. That's called being more competitive.

We are as concerned as anybody about prices and volatility, but we also have great confidence in the ability of our domestic shale reserves and the energy industry to meet America's natural gas demand requirements.

Competitively priced natural gas has enabled us to enhance or adjust our industrial processes and technologies, while improving our environmental performance along the way. As you know, natural gas emissions contain about half the greenhouse gases present in coal emissions, so every ton of coal we can replace with natural gas helps us reduce total emissions.

One such example is increased injection of natural gas to our blast furnaces in order to reduce our usage rates for coke, which is an important coal-based raw material in our iron making process. We now have the ability to optimize the blend of fuels to attain the lowest carbon cost for each particular furnace as well as make adjustments to maintain the lowest cost based on the changing relationship between coke, injection coal and natural gas.

I'd like to close my remarks with a couple of comments concerning recent surges in imported steel products generally, including pipe and tube products.

In 2010, the United States imported almost 2.3 million net tons ("NT") of oil country casing and tubing products, used in exploration and development of oil

and natural gas. Last year, the U.S. imported over 3.4 million NT of these high-tech, high value-added products. That's an increase of more than 51 percent over a two year period.

Some foreign producers have been even more aggressive. Since 2010, casing and tubing imports from South Korea are up more than 58 percent, imports from Taiwan are up more than 88 percent, and imports from Saudi Arabia are up more than 420 percent. The same story is true for many other pipe products. From 2011 to 2012, imports of welded tubular products other than Oil Country Tubular Goods (OCTG) increased by almost 30 percent, due in large part to aggressive shipments from Korea (up 49 percent) and Japan (up almost 45 percent). These imports are weighing heavily on the U.S. market.

Even though last year featured a relatively strong market for OCTG, public pricing sources estimate that average U.S. prices of casing and tubing fell by as much as \$202/NT from December 2011 to December 2012. Over the same period, U.S. prices for welded line pipe fell by as much as \$187/NT. This is especially disconcerting following large capital investments to serve the sector by our company and others.

Given the long history of unfair trade in the steel sector, we are very concerned that foreign market distortions – including dumping and subsidies – are one of the principal underlying causes of this injurious import surge.

As in the broader steel market, foreign government policies such as currency manipulation, government support, and closed home markets have encouraged mills in China and other countries to build far more capacity than market conditions justify. Last December, a study presented to the OECD Steel Committee estimated that the world currently has more than 500 million metric tons of excess steelmaking capacity – a figure more than five times larger than total U.S. production of crude steel in 2012. This excess capacity leads to import surges in this market, as mills around the world seek some outlet for their production.

The shale gas revolution holds great promise for American industry and workers. We believe the import surge problem calls for a strong response from all who believe that true, market-based competition is the best pathway to prosperity.

The time has come for a strong global consensus that winners and losers in the steel business should be determined by hard work and innovation, by costs and competition – not by market-distorting government programs.

All of us – producers and our customers – will benefit from such a consensus. In the energy tubular market, for example, domestic energy companies need and depend upon a strong domestic steel industry – one that has the resources to invest in developing better products and meeting their full range of needs.

We obviously depend on our customers and share a mutual advantage when we can promote and sustain growing employment and production in both of our

industries in the United States. One point sometimes overlooked in the energy debate is the role that our customers play in buying domestic pipe and supporting good paying jobs in this country. We need to do a better job getting that word out – and hopefully promoting even more domestic purchases of our products and those of other industries that support the energy sector. It is a "win-win" in terms of growing U.S. employment and enhancing the public perception of domestic energy companies. This in turn should promote greater public support for needed domestic energy projects and development.



Mr. TERRY. Mr. Murphy wanted you to have more time to say nice things about him, but he wasn't here to hear your beginning, so I am going to have to deny that request.

Mr. Rippey.

#### STATEMENT OF MICHAEL G. RIPPEY

Mr. RIPPEY. Mr. Chairman and members of the subcommittee, I am Mike Rippey, president and CEO of ArcelorMittal USA. On behalf of my company and its 20,000 U.S. Employees, I want to thank you for holding these hearings on the future of American manufacturing.

If I can leave you with only one thought today, it is this: The American steel industry represented by those at this table is simply not your grandfather's or even your father's steel industry. The industry represented here operates at the cutting edge of material science. It produces high-technology solutions for its customers. It does so with increasingly advanced and, I might add, expensive equipment operated by a highly skilled and tech-savvy workforce. Its employees are better paid than almost any industrial workers in the world. In short, it provides great jobs for American workers and for our country.

You have my full testimony, so I won't address all the issues raised in it, but there are two that I would like to highlight now, and I am happy to answer questions on the others.

First, let me address how we are supporting our auto customers. ArcelorMittal is the number one worldwide supplier of automotive steels. One out of every five cars in the world is made of ArcelorMittal steel. So you can understand that we work hard every day to meet the ever-changing needs of our auto customers.

Since the early 1900s, steel has been the standard material for car body construction. It is strong, moldable, and low cost. But customer expectations and government regulations such as CAFE have challenged automakers to increase safety, improve fuel economy, and reduce CO<sub>2</sub> emissions all at the same time. A huge challenge. I am here today to tell you that the steel is meeting the challenge.

When the Transportation Department and EPA first announced the goal of bringing the fleet to a Corporate Average Fuel Economy of 54 ½ miles per gallon by 2025, there were those who proclaimed that this was simply game over for steel. We knew otherwise. So to demonstrate this, we obtained from EPA and NHTSA the very computer models used to assess fuel technology and set standards. These models show that weight reduction we can achieve with advanced steels combined with power train improvements can indeed get 54 ½ miles per gallon. The models also show that steel gets the fleet 54 ½ miles per gallon at a lower cost than other materials.

We understand that part of the objective of this standard is to reduce greenhouse gas emissions. We urge the subcommittee to make sure that CAFE regulations measure the full impact of materials on the environment, from cradle to grave, or over the life cycle. Models show that steel gets the fleet 54 ½ miles per gallon with a lower total life cycle carbon footprint than other materials that are significantly more energy and emissions intensive.

We can achieve these incredible technological advances in automotive and many of our other product applications because of the innovation of our workforce, the hard-fought relative prosperity of the domestic steel industry, and our R&D initiatives. But that prosperity is threatened every day. That is why we need your help to transform America's vital manufacturing base and to ensure a secure job future for our workers.

One of our highest priorities must be to identify, encourage, and train manufacturing workers in the future. In the next few years, because of retirements, we face having hundreds of job openings left unfilled either because of today's young people have forgotten about manufacturing, or because they lack the skills and work values we need.

To address this shortage ArcelorMittal initiated Steelworker for the Future in 2008, an associate degree program in partnership with great community colleges located near our plants. We work with local high schools to attract science- and math-savvy students to this program, where they get classroom training at a reasonable cost. Then we offer them paid internships at our plants. Qualified graduates are offered full-time jobs when they finish this program. If they don't want to work for us, they still end up with a set of skills for a lifetime, these skills that will allow them to be valued by other manufacturing companies.

I would urge the committee to look closely at private programs like Steelworker for the Future as a possible template for a national campaign to educate young people about the incredible possibilities that today's manufacturing industries offer. With thousands of great jobs going begging every year in manufacturing, it is time we made a national priority to value and train people who make things.

Mr. Chairman, once again, thank you for the opportunity to testify, and I look forward to your questions.

Mr. TERRY. Thank you.

[The prepared statement of Mr. Rippey follows:]

**Executive Summary**  
**Testimony of Michael G. Rippey**  
**President and CEO, ArcelorMittal USA LLC**  
**United States House of Representatives**  
**Committee on Energy and Commerce**  
**Subcommittee on Commerce, Manufacturing and Trade**  
**March 21, 2013**

The American steel industry today is simply not your grandfather's, or even your father's, steel industry. We operate at the cutting edge of materials science, producing high technology solutions for our customers' needs with advanced equipment operated by a highly skilled and well-paid workforce.

The story of today's steel industry can be illustrated by looking at its interdependence with America's auto industry. Today's auto market demands that body materials be extremely strong for safety, yet light to save fuel consumption and highly moldable to meet sophisticated styling requirements. We are continually evolving steel into a wide range of new products that meet each and every one of these conflicting challenges.

Not satisfied with proclamations of our industry's pending demise when the 2025 CAFE standards were announced, we obtained from the EPA and NHTSA the very computer models they used to assess fuel economy improvement technology. These models show that the weight reduction we can achieve with our current and emerging steel products, combined with anticipated improvements in power train technologies, can get the fleet to the 2025 CAFE standard of 54.5 MPG. And steel meets this standard of the future at a lower cost and with a lower total life cycle carbon footprint than competing materials.

To transform America's vital manufacturing base and ensure a secure job future for our workers, we need your support for the following policies:

First, we need to make it a national priority to identify, encourage and train the manufacturing workers of the future. To meet the challenge of a retiring workforce, ArcelorMittal initiated "Steelworker For The Future," an associate degree program in partnership with great community colleges located near our plants. It is a program that identifies, trains, and ultimately employs qualified students for a life long career in manufacturing.

Second, we are threatened every day by the unfair trade practices of our foreign competitors. We need the U.S. Government to ferret out such practices that continue to distort steel markets and take strong action to challenge them through aggressive enforcement of U.S. trade remedies, WTO litigation, and appropriate diplomatic efforts.

Third, we need a tax policy that incentivizes manufacturing, not one that shifts tax burdens away from banks and retailing and onto manufacturing. We are concerned that in the debate to lower rates and close so-called loopholes, pro-manufacturing incentives may be eliminated.

Finally, we would urge the Subcommittee to make sure that CAFE regulations measure the full impact of a material on the environment, from cradle to grave, over their "life cycle" and not just take a snapshot of only one phase of the process. Since the push for greater fuel economy is designed to also lower GHG emissions, it's irrational to completely offset or even exceed the emissions saved during the use phase with materials that produce higher emissions during the production phase.

**Testimony of Michael G. Rippey  
President and CEO, ArcelorMittal USA LLC  
United States House of Representatives  
Committee on Energy and Commerce  
Subcommittee on Commerce, Manufacturing and Trade  
March 21, 2013**

Mr. Chairman and Members of the Subcommittee, I am Mike Rippey, President and CEO of ArcelorMittal USA. On behalf of my company and its 20,000 U.S. employees, I want to thank you for holding these hearings today on the future of American manufacturing.

By way of introduction for those who may not be familiar with our company, ArcelorMittal is the world's largest steel and mining company, with over 245,000 employees in more than 60 countries. We are the leader in all major global steel markets, including automotive, construction, household appliances, and packaging, with leading research and development (R&D) and technology, as well as mining interests and outstanding distribution networks.

If I can leave you with only one thought today, it is this: the American steel industry today is simply not your grandfather's, or even your father's, steel industry. With your help, it can be your son's and daughter's steel industry.

Today's steel industry operates at the cutting edge of materials science, producing high technology solutions for our customers' needs. We do it with increasingly advanced, and I might add expensive, equipment, operated by a highly skilled and tech-savvy workforce. It is a workforce whose employees are better paid than almost any industrial worker in the world. In short, these are great jobs for the individual and our country.

Perhaps there is no better example to illustrate today's steel industry than to examine the interdependence that exists between it and America's auto industry.

First, allow me to provide some context on ArcelorMittal's relationship to the U.S. and global automotive industry.

I am proud to tell you that ArcelorMittal is the number one worldwide supplier for automotive steels. One out of every five cars in the world is made of ArcelorMittal steel, and we are fully committed to supporting carmakers worldwide as they meet the challenge of increasing passenger safety, while also delivering weight savings and reducing carbon dioxide (CO<sub>2</sub>) emissions. In 2011 alone, we invested \$320 million in research and development, more than half of which was devoted to developing new automotive products and applications.

Why? Because the technical challenges and requirements of our automotive customers dwarf any that have existed before.

Let me give you one example.

Historically, car bodies have been made of steel. One product, more or less. Moderately strong, easily moldable, and low in cost. Steel has remained the standard car body construction material since the early 1900s.

But today's market, driven both by customer expectations and regulations such as the Corporate Average Fuel Economy (CAFE) and New Car Assessment Programs (NCAP) coming from Washington, demand that body materials be extremely strong in some areas to resist intrusion, and soft in other areas to absorb energy to make cars safer. At the same time, these materials need to be lighter to improve fuel economy. Above all, the materials need to be moldable to make the sophisticated body styling that American consumers demand.

The good news is that we are evolving steel into a wide range of new products that meet each and every one of these conflicting challenges. The steel products we are making today, and the products we are developing for the future, will make cars that are safer, lighter, more fuel efficient, and keep them affordable.

As you know well, the U.S. Department of Transportation and Environmental Protection Agency have defined 2012-2025 tailpipe CO2 emissions and fuel economy standards based on each vehicle's performance, which, if achieved, will bring the fleet to a CAFE of 54.5 miles per gallon by 2025. When these standards were first announced, proponents of competing body construction materials proclaimed it was "game over" for steel – that the only way to get to 54.5 was to make all cars out of aluminum, out of magnesium, or out of carbon fiber.

Not satisfied with proclamations of our industry's pending demise, we obtained from the EPA and NHTSA the very computer models they used to assess fuel economy improvement technology and set the standards where they presently stand. These models show that the weight reduction we can achieve with our current and emerging steel products, combined with the improvements in power train technologies anticipated by EPA and NHTSA, can in fact get the fleet to 54.5 MPG by 2025. The models further show that steel gets the future fleet to 54.5 MPG at a lower cost than other materials. When combined with powerful Total Life Cycle Assessment greenhouse gas (GHG) emission models, these models show that steel gets the 2025 fleet to a CAFE goal of 54.5 of MPG with a lower total life cycle carbon footprint than if other, more energy and emissions-intensive, materials were used.

The EPA and NHTSA models clearly show that today's and tomorrow's advanced steel products are the lowest cost, lowest total life cycle carbon footprint body construction material solution to getting to 54.5 in 2025.

We can do this because of the innovation of our workforce, the hard-fought, relative prosperity of the domestic steel industry, and our R&D investments. But that prosperity is threatened every day. That's why we need your help to transform America's vital manufacturing base and ensure a secure job future for our workers.

First, we need a national workforce approach that will identify, encourage, and train the manufacturing workers of the future.

In today's period of high unemployment, particularly for young people, it is amazing to me that ArcelorMittal, other steel companies, and many manufacturers, have jobs available that we can't fill. As I have already indicated these are great jobs, with high compensation and benefits that are the envy of others outside manufacturing.

In 2008, in response to this identified shortage of skilled labor, ArcelorMittal initiated "Steelworker For The Future," an associate degree program in partnership with great community colleges located near our plants. We work with local high schools to attract STEM-savvy students to the program where they gain classroom training at a reasonable cost. Then we offer well paid internships at our plants, more than covering the cost of their tuition. Qualified graduates are offered full time jobs at our plants when they finish the program. If they don't want to work for us, they still end up with a portable set of skills for a lifetime that would be welcomed by any manufacturer.

We do this because we need the people. We have an aging workforce; as they retire, we have hundreds of great jobs to fill every year.

Yet we still can't find people. Some would rather become stockbrokers or video game designers than steelworkers; many others are not trained appropriately for the needs of today's manufacturing industry; and still others lack the basic life values to pass a drug test or show up every day ready to work.

With thousands of great jobs going begging every year in manufacturing, it is time we made it a national priority to value and train people who make things.

Programs run by individual companies, while useful, cannot take the place of a national commitment by the Congress and the Administration to deal with the mismatch between jobs and skills. I would urge the Committee to look closely at private programs like "Steelworker For The Future" as a possible template for a national campaign to educate young people about the incredible possibilities that today's manufacturing offers. Such a program should also provide tuition and other training assistance to both the individual and to companies for effective programs that train people for jobs that exist not only today but tomorrow. Without such a commitment, America's manufacturing renaissance will be stopped in its tracks and we will have lost an entire generation of manufacturing workers.

Second, we are threatened every day by the unfair trade practices of our foreign competitors. The trade laws passed by the Congress, and vigorously enforced by the International Trade Commission, the Commerce Department, and other agencies of the federal government, have been essential to us. But foreign government policies that favor uneconomic steel capacity continue to distort global steel markets. We need the U.S. Government to ferret out these practices and take strong action to challenge them through aggressive enforcement of U.S. trade remedies, WTO litigation, and appropriate diplomatic efforts.

Third, we need a tax policy that incentivizes manufacturing, not one that shifts tax burdens away from banks and retailing and onto manufacturing.

We are very concerned that in the debate to lower rates and close so-called loopholes, the needs of manufacturers, both for ourselves and our customers, may be forgotten. Policies such as accelerated depreciation or the ability to deduct the interest payments on extraordinarily complicated and long lasting capital investments give critical help to those who put their own money on the line to grow manufacturing. Repealing those incentives means that we will be trading



in tax policies that have worked for this country for the economics of “hope that everything will work out somehow.”

We are in a global competition, and you can bet that our greatest competitors, who often enjoy the extreme pro-investment and pro-export economic policies of their home governments, would rejoice to see America turn away from a pro-manufacturing tax policy.

Fourth, Mr. Chairman, as we address the challenges of climate and energy policy, we must ensure that Total Life Cycle Analysis (LCA) is employed in setting our future emissions and fuel economy regulations. As I’ve discussed, steel offers serious weight reduction at a lower cost and lower CO2 emissions than competing materials. Our industry is now working with the Administration to recognize these savings over the total life cycle of the vehicle, with the goal of having in place by the CAFE mid-term review in 2017 regulations that reward those who achieve GHG reductions over the full life cycle of the product. Since the push for greater fuel economy is designed to also lower GHG emissions, it’s irrational to completely offset or even exceed the emissions saved during the use phase with materials that produce higher emissions during the production phase. We strongly urge the Subcommittee to vigorously use your oversight responsibility to make sure that we create a national policy that measures the full impact of a material on the environment and not just take a snapshot of only one phase of the process.

Mr. Chairman, once again thank you for the opportunity to testify today and I look forward to your questions.

Mr. TERRY. Now Ms. Pena Lopes. Appreciate your being here.

**STATEMENT OF YVETTE PENA LOPES**

Ms. PENA LOPES. Thank you. Good morning.

Chairman Terry, Ranking Member Schakowsky, and members of the subcommittee, I am Yvette Pena Lopes, deputy director of the BlueGreen Alliance. On behalf of my organization, our 14 national labor and environmental partners, and the estimated 15 million members and supporters they represent, I want to thank you for holding this hearing today. We appreciate the invitation to testify and are honored to join the other panelists from the Congressional Steel Caucus and the steel industry; in particular, the CEOs of ArcelorMittal, Allegheny Technologies, and EVRAZ, who are each valued members of the BlueGreen Alliance's Corporate Advisory Council.

United Steelworkers and the Sierra Club founded the BlueGreen Alliance in 2006 and have since grown to incorporate 12 other labor and environmental organizations to create an alliance built with a wide variety of priorities and backgrounds. Our partners have come together to move America towards a 21st century clean economy, and manufacturing has consistently been a major focus of the alliance.

The economic downturn and years of shifting manufacturing production took a significant toll on U.S. Manufacturing and their workers. America has begun to change this, but much more needs to be done to bring these jobs back and ensure that American manufacturing, and the steel industry in particular, are drivers of America's 21st century clean economy.

To achieve this rebirth, we must implement the following five drivers of American manufacturing. First, we must rebuild our Nation's infrastructure. Investment in our infrastructure can yield tremendous benefits, including jobs and expanded demand in our domestic steel sector. One out of every four of the Nation's bridges are structurally deficient or functionally obsolete. Nearly a quarter of the Nation's bus and rail infrastructure is in marginal or poor condition. Across the country 700,000 tons of steel plate is used annually in bridge and building construction projects. If a properly structured infrastructure program is implemented, job creation for the manufacturing sector could clear more than 250,000 new jobs.

Second, we must deploy more industrial energy efficiency. Energy efficiency leverages productivity and power from resources that in many cases would otherwise literally vanish into thin air. When combined with smart policies aimed at minimizing the economic impact to power providers, efficiency gains can be a win for manufacturers, utilities, workers, consumers, and the environment.

Third, you must integrate more advanced transportation and clean energy into our economy. Whether it is more efficient technology in advanced materials for automobiles, commercial scale wind turbines, or rail lines, steel is a necessary component for these industries that will drive the 21st century.

Last year the Obama administration set forth the strongest clean car standards in a generation, making conventional technology significantly more efficient and using advanced materials to make our cars stronger yet lighter, which will make the biggest contributions

towards getting the American vehicle fleet to 54.5 miles per gallon over the next 12 years.

Over the next decade, an estimated \$2.3 trillion will be invested in clean technologies; however, according to Ernst & Young, the U.S. Renewable energy investment climate is losing attractiveness, while countries like China and Germany are gaining ground. Existing policy support for clean energy does not provide adequate long-term certainty for the industry to succeed. We must implement long-term policy certainty.

Fourth, we must ensure products and components are made in America. Buy America policies reflect where the jobs are, not where the manufacturing companies are headquartered or incorporated. This approach ensures that taxpayer dollars are reinvested in jobs in communities here at home.

Fifth, we must continue to support research and development. Manufacturing is responsible for 70 percent of all private-sector research and development spending and 90 percent of all American patents.

The Department of Energy's Advanced Manufacturing Office recently launched the Innovative Manufacturing Initiative. One of the projects selected was a partnership between DOE, ArcelorMittal, U.S. Steel, and others to produce flash ironmaking technology, which is a cleaner, coke-free way to produce iron from abundant domestic iron ore concentrates and natural gas with a 30 to 50 percent improved energy productivity. We must continue to support R&D such as this as well as the work being done at the Department of Commerce.

Mr. Chairman, Ranking Member Schakowsky, and fellow members of the subcommittee, we truly believe that these five measures will go a long way toward helping America and its workers reinvigorate the steel sector, U.S. Manufacturing, and the middle class, and move America to a clean economy while ensuring that we continue to address climate change.

Once again, thank you for the opportunity to testify today.

Mr. TERRY. Thank you very much.

[The prepared statement of Ms. Pena Lopes follows:]

**Executive Summary**  
**Testimony of Yvette Pena Lopes**  
**Deputy Director, BlueGreen Alliance**  
**United States House of Representatives**  
**Committee on Energy and Commerce**  
**Subcommittee on Commerce, Manufacturing and Trade**  
**March 21, 2013**

The American manufacturing sector forms a cornerstone of our national economy, providing nearly 12 million good-paying jobs for middle-class families across the country. Yet, the economic downturn and years of shifting production took a significant toll on U.S. manufacturers and their workers. An estimated 5.5 million manufacturing jobs were lost over the last decade. America has begun to change this, adding back more than 500,000 manufacturing jobs since the beginning of 2010,<sup>1</sup> but much more needs to be done to bring these jobs back and ensure that American manufacturing — and the steel industry in particular — are drivers of America's 21<sup>st</sup> century clean economy.

To achieve this rebirth, we must implement the following five drivers of American manufacturing:

**First, we must rebuild our nation's infrastructure.** Investments in our infrastructure can yield tremendous benefits, including jobs and expanded demand in our domestic steel sector.

**Second, we must deploy more industrial energy efficiency.** Energy efficiency leverages productivity and power from resources that, in many cases, would otherwise literally vanish into thin air.

**Third, we must integrate more advanced transportation and clean energy into our economy.** Whether it is more efficient technology and advanced materials for automobiles, commercial-scale wind turbines, or rail lines, steel is a necessary component for these industries that will drive the 21<sup>st</sup> century.

**Fourth, we must ensure products and components are made in America.** Buy America policies reflect where the jobs are, not where the manufacturing companies are headquartered or incorporated. This approach ensures that the job-creating impact of critical infrastructure investments is maximized, and that taxpayer dollars are reinvested in jobs and communities here at home.

**Fifth, we must continue to support research and development.** Manufacturing is responsible for 70 percent of all private-sector research and development spending and 90 percent of all American patents.<sup>2</sup>

These five measures will go a long way toward helping America and its workers reinvigorate the steel sector, along with the rest of American manufacturing, revitalize the American middle class and move America to a clean economy, ensuring that we continue to address climate change.

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<sup>1</sup> *U.S. Manufacturing Continues to Create Jobs in the U.S.* (The Commerce Blog, U.S. Department of Commerce, August 2012)  
<http://www.commerce.gov/blog/2012/08/03/us-manufacturing-continues-create-jobs-us>

<sup>2</sup> *A Framework for Revitalizing American Manufacturing* (Executive Office of the President, December 2009)  
<http://www.whitehouse.gov/sites/default/files/microsites/20091216-manufacturing-framework.pdf>

**Testimony of Yvette Pena Lopes  
Deputy Director, BlueGreen Alliance  
United States House of Representatives  
Committee on Energy and Commerce  
Subcommittee on Commerce, Manufacturing and Trade  
March 21, 2013**

Mr. Chairman, Ranking Member and Members of the Subcommittee, I am Yvette Pena Lopes, Deputy Director of the BlueGreen Alliance. On behalf of my organization, our fourteen national labor and environmental partners and the estimated 15 million members and supporters they represent, I want to thank you for holding these hearings today on the future of American manufacturing.

We appreciate the invitation to testify and are honored to join the other panelists from the Congressional Steel Caucus and the steel industry, in particular Mike Rippey, President and CEO, ArcelorMittal USA; Richard Harshman, Chairman, President and CEO, Allegheny Technologies Inc.; and Mike Rehwinkel, President and CEO, Evraz North America, who are each valued members of the BlueGreen Alliance's Corporate Advisory Council.

The BlueGreen Alliance is a national partnership of 10 labor unions and four environmental organizations. The United Steelworkers and the Sierra Club founded BlueGreen Alliance in 2006, and have since grown to incorporate 12 other labor and environmental organizations to create an Alliance built with a wide variety of priorities and backgrounds. Yet through that variety, our partners have come together to move America towards a 21<sup>st</sup> century clean economy, and manufacturing has consistently been a major focus of our Alliance.

The American manufacturing sector forms a cornerstone of our national economy, providing nearly 12 million good-paying jobs for middle-class families across the country. Yet, the economic downturn and years of shifting production took a significant toll on U.S. manufacturers

and their workers. An estimated 5.5 million manufacturing jobs were lost over the last decade. America has begun to change this, adding back more than 500,000 manufacturing jobs since the beginning of 2010,<sup>3</sup> but much more needs to be done to bring these jobs back and ensure that American manufacturing — and the steel industry in particular — are drivers of America's 21<sup>st</sup> century clean economy.

### **Steel and the clean economy**

#### *Rebuilding American Infrastructure*

The Tappan Zee Bridge connects Rockland County to Westchester County in New York's heavily populated Lower Hudson Valley. It utilizes 62.5 miles of steel "H" pile, 6.3 miles of 30-inch steel pipe, and its falsework used roughly 1,700 tons of steel.<sup>4</sup> This bridge is about to undergo a major overhaul, which will make it the world's widest bridge.

There are many, many more infrastructure projects that require an overhaul like the Tappan Zee Bridge. Recently, the American Society of Civil Engineers (ASCE) updated their report card giving our nation's infrastructure an overall grade of D+, and highlighted especially alarming disrepair in many key areas, such as wastewater management (D) schools (D) and energy (D+).<sup>5</sup>

Many U.S. cities rely on pipes that are, on average, a century old.<sup>6</sup> Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day and are known to leach contaminants and breed bacteria in drinking water, jeopardizing the health of our nation's communities. An

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<sup>3</sup> *U.S. Manufacturing Continues to Create Jobs in the U.S.* (The Commerce Blog, U.S. Department of Commerce, August 2012) <http://www.commerce.gov/blog/2012/08/03/us-manufacturing-continues-create-jobs-us>

<sup>4</sup> *About the Tappan Zee Bridge* (Rand Commercial Services) <http://tappanzeebidge.randcommercial.com/about-the-tappan-zee-bridge/>

<sup>5</sup> *2013 Report Card for America's Infrastructure* (American Society of Civil Engineers, March 2013) <http://www.infrastructurereportcard.org/>

<sup>6</sup> *"Clean Water, Good Jobs"* (BlueGreen Alliance, October 2012) <http://www.bluegreenalliance.org/news/publications/clean-water-good-jobs>

average of 850 water main breaks<sup>7</sup> in North America occur daily. According to a 2002 congressional study, corrosion of these systems costs over \$50.7 billion annually.

Our natural gas pipeline infrastructure, particularly at the distribution level, is comprised of aging assets; approximately 3 percent are constructed of cast and wrought iron installed at the first half of the 20<sup>th</sup> century.<sup>8</sup> Distribution pipelines are volatile and susceptible to failure, and their modernization is a critical step towards a safe, efficient 21<sup>st</sup> century clean energy economy.

According to the Federal Highway Administration, one out of every four of the nation's bridges<sup>9</sup> are structurally deficient or functionally obsolete, nearly a quarter of the nation's bus and rail infrastructure is in marginal or poor condition and more than half of the miles driven on federal highways are on roads that are in less than good condition.

Across the country, estimates say 700,000 tons of steel plate is used annually in bridge and building construction projects.<sup>10</sup> Rebuilding our nation's infrastructure must be at the top of our policy agenda. Investments in our infrastructure can yield tremendous benefits, including jobs and expanded demand from our domestic steel sector. Every \$1 billion invested in water infrastructure is estimated to create more than 20,000 new jobs.<sup>11</sup> And, if an infrastructure program is implemented and structured with the right mandates to ensure domestically produced components, job creation for the manufacturing sector could clear 250,000 new jobs.

### *Automobiles*

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<sup>7</sup> Water Main Break Clock <http://www.watermainbreakclock.com/>

<sup>8</sup> *The State of National Pipeline Infrastructure* (U.S. Department of Transportation, [http://opsweb.phmsa.dot.gov/pipelineforum/docs/Secretarys%20Infrastructure%20Report\\_Revised%20per%20PHC\\_103111.pdf](http://opsweb.phmsa.dot.gov/pipelineforum/docs/Secretarys%20Infrastructure%20Report_Revised%20per%20PHC_103111.pdf))

<sup>9</sup> "National Policy on Transportation" (BlueGreen Alliance, June 2011)

[http://www.bluegreenalliance.org/news/publications/document/BGA\\_PolicyBrief\\_Transportation\\_FINAL.pdf](http://www.bluegreenalliance.org/news/publications/document/BGA_PolicyBrief_Transportation_FINAL.pdf)

<sup>10</sup> "Structural Steel: An Industry Overview" (American Institute of Steel Construction, September 2012)

<http://www.aisc.org/uploadedFiles/SteelDay/2011/Documents/Sept.%20%20Industry%20Overview.pdf>

<sup>11</sup> *America's Water Infrastructure Nears a Bursting Point* (BlueGreen Alliance, January 2013)

<http://www.bluegreenalliance.org/blog/americas-water-infrastructure-nearing-a-bursting-point>

Last year, the Obama administration set forth the strongest cleaner car standards in a generation, which will nearly double the fuel efficiency of cars on US roads by 2025. While plug-in hybrids and electric vehicles will help the US meet these standards, making conventional technology significantly more efficient and using advanced materials to make our cars stronger yet lighter will make the biggest contributions toward getting the American personal vehicle fleet to 54.5 miles per gallon over the next 12 years.

These advanced materials include steel products, such as Advanced High Strength Steel (AHSS). Various research studies have shown that proper application of AHSS can cut a vehicle's weight between 10 and 25 percent.

Over the last six years, steel maintained a high percentage of total vehicle content by weight — nearly 60 percent. New metals and composite materials will continue to develop as a complement to steel components, which will also continue to evolve as a leading material choice for vehicles of the future.

Furthermore, using U.S.-made steel components in vehicle production decreases the negative environmental impacts of long-distance transport and under-regulated manufacturing in foreign countries. For example, in a 2009 assessment of environmental regulations in the U.S. and Chinese steel industries, the Alliance for American Manufacturing found that the amount of carbon dioxide emissions per ton of steel produced are nearly double in China compared to the U.S.<sup>12</sup>

Additionally, production of steel and advanced steel compare favorably in terms of greenhouse gas (GHG) emissions versus other advanced materials. Steel and advanced steel entail only a

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<sup>12</sup> *American Steel is Cleaner than Chinese Steel* (Alliance for American Manufacturing, April 2009)  
<http://www.americanmanufacturing.org/p/1191>



third of GHGs produced per unit compared to aluminum, and only a tenth per unit produced compared to carbon and magnesium. Steel continues to hold an advantage, between 1 and 3 percent fewer GHGs produced overall when factoring the life-cycle impact of steel vehicle components versus other advanced materials.

### *Transit*

Over the course of the next decade billions of tax dollars will be spent on the purchase of rail cars, buses and other transit equipment. There are an estimated 413 planned and proposed transit projects across the U.S., worth an estimated \$233 billion.<sup>13</sup>

Existing public transit bus, rail vehicle and clean truck supply chains support approximately 40,000 U.S. manufacturing jobs. While relatively small today, jobs in these supply chains are spread across all 50 states, among more than 320 existing companies that could scale up to meet expanded demand.<sup>14</sup> Every \$1 billion invested in public transit creates around 1,400 manufacturing jobs.<sup>15</sup> Stronger Buy America requirements will help make sure more of those manufacturing jobs remain here.

For example, the U.S. Department of Transportation's Federal Transit Administration (FTA) awarded \$23 million from the American Recovery and Reinvestment Act's TIGER (Transportation Investment Generating Economic Recovery) program to Portland, OR. The city of Portland, the Portland Bureau of Transportation and TriMet used these funds to reconstruct Portland's Moody Avenue. The Recovery Act funds were used to create dual streetcar tracks, widening Moody Avenue, and raising it up 14 feet in order to link with a transit bridge that accommodates streetcar, light rail, bus, bicycle and pedestrian traffic. Raising the street also

<sup>13</sup> Jeff Wood, Elizabeth Wampler and Bill Sadler. "Jumpstarting the Transit Space Race: 2011". Reconnecting America.

<sup>14</sup> Marcy Lowe et al., *U.S. Manufacture of Rail Vehicles for Intercity Passenger Rail and Urban Transit* (Raleigh, NC: Center on Globalization, Governance & Competitiveness, Duke University, June 2010), p. 13.

<sup>14</sup> U.S. PIRG Education Fund, op. cit. note

<sup>15</sup> Bivens, J.; Irons, J.; and Pollack, E. *Transportation Investments and the Labor Market* (Economic Policy Institute, April 2009).

allowed surrounding land, which had been designated a Superfund cleanup site, to be capped, opening up the large parcels of land for development.

The streetcars will be manufactured in Portland by United Streetcar, a subsidiary of Oregon Iron Works, which was created to meet the revived demand for streetcars created by the growth of Portland's transit system. With a workforce represented by the International Brotherhood of Electrical Workers (IBEW) and by the Ironworkers, and with 90 percent domestic content (aiming for 100), the company has been honored as an exemplary "high road" and green employer by both the Apollo Alliance and American Rights at Work. The cars rolling out of United Streetcar have the highest percentage of American parts and labor of any streetcar in the last 50 years. That means United Streetcar's innovation is creating an economic ripple effect, providing business for an all-American supply chain of more than 200 different vendors in 20-plus states across the U.S.<sup>16</sup>

ArcelorMittal, located in Steelton, Pennsylvania, has become the first domestic steelmaker to enter an emerging market for so-called block rail — a product that is being used, for the first time in the United States, to help build the new Portland streetcar line.<sup>17</sup> ArcelorMittal employees 700 employees in Steelton and the streetcar revival may one day eliminate the need to import streetcar rail from foreign countries.<sup>18</sup>

#### *Industrial Energy Efficiency*

Ensuring long-term success requires support for the efficient use of energy resources in American manufacturing. As the industrial sector consumes about a third of all energy used in the United States — a large portion of which is simply lost due to inefficiencies — measures to

<sup>16</sup> *United Streetcar putting Americans to work, putting America in position to win the future* (U.S. Department of Transportation, April 2011) <http://fastlane.dot.gov/2011/04/united-streetcar.html#UPEBTqwkRGm>

<sup>17</sup> *The Federal Transit Administration Showcases Economic Development at the Site of the SW Moody Avenue Streetcar Project* (Federal Transit Administration, January 2012) [http://www.fta.dot.gov/newsroom/12286\\_14274.html](http://www.fta.dot.gov/newsroom/12286_14274.html)

<sup>18</sup> *Id.*

help reduce energy costs and boost efficiency within the industrial sector will go a long way toward honing our competitive edge and keeping jobs and supply chains operating here in the United States.

As noted in a July 2009 McKinsey and Company report,<sup>19</sup> we can reduce primary industrial energy consumption by 21 percent by 2020 — saving U.S. industry \$47 billion per year — just by unlocking the potential for energy efficiency in the industrial sector.

Some leading U.S. industrial facilities are already taking advantage of the huge savings that energy efficiency improvements can provide to their bottom lines, thus adding value to their companies, freeing up capital, decreasing exposure to energy price fluctuations, and preserving and creating jobs.

In today's fast-moving business climate, the need for rapid return on investment can make productive industrial energy efficiency projects challenging to carry out. Good government policy, however, can provide needed leverage for such projects. In one such example, the support of a \$31 million Department of Energy (DOE) matching grant under the American Recovery and Reinvestment Act (ARRA), enabled ArcelorMittal to retrofit its Indiana Harbor steel manufacturing facility in East Chicago, Indiana, saving the company nearly \$20 million in energy costs each year.<sup>20</sup>

Through the use of innovative technology designed to capture and re-use waste boiler gas that would otherwise be flared off and lost, Arcelor now generates 36 megawatts of its own power, enough to power some 30,000 American homes for a year. In addition, this project decreases greenhouse gas emissions by 330,000 tons annually, the equivalent of removing 60,800 cars

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<sup>19</sup> "Unlocking Energy Efficiency in the US Economy" (McKinsey, July 2009) [http://www.mckinsey.com/client\\_service/electric\\_power\\_and\\_natural\\_gas/latest\\_thinking/unlocking\\_energy\\_efficiency\\_in\\_the\\_us\\_economy](http://www.mckinsey.com/client_service/electric_power_and_natural_gas/latest_thinking/unlocking_energy_efficiency_in_the_us_economy)

<sup>20</sup> "Rebuilding Green" (BlueGreen Alliance, February 2011) <http://www.bluegreenalliance.org/news/publications/rebuilding-green-the-american-recovery-and-reinvestment-act-and-the-green-economy>

from the road. For the residents of the surrounding community, this project is also yielding substantial economic benefits by preserving existing jobs and creating new employment opportunities. According to company estimates, the design, construction and manufacture of the equipment created 360 jobs, and employed 200 local tradespeople. Further, the competitive cost advantage created by the ongoing energy savings is helping to keep nearly 6,000 workers employed at the mill.

The Obama administration has taken a leadership role in promoting efficiency by issuing its Executive Order on accelerating investment in industrial energy efficiency last August. This Order provides direction as to how the federal government can promote the use of combined heat and power (CHP) efficiency technology in industrial processes. Historically, the energy simply wasted by traditional systems on an annual basis has been greater than the total annual energy use of the nation of Japan. Although the average generation efficiency of grid-supplied power has hovered near 34 percent in the U.S. since the 1960s, CHP technology, by contrast, harnesses energy that would otherwise be lost in order to operate at efficiencies of 60-80 percent.<sup>21</sup>

Too often overlooked as an energy resource, efficiency can provide a means to harness energy that is already being generated, without the need to develop entirely new primary sources of energy. Energy efficiency leverages productivity and power from resources that, in many cases, would otherwise literally vanish into thin air. Done right, economical CHP technology can enable large energy users to reduce purchased electricity or to leave the grid entirely by self-generating. When combined with smart policies aimed at minimizing the economic impact to power providers, efficiency gains can be a win for manufacturers, utilities, workers, consumers, and the environment. Achieving this thoughtfully and equitably can position American industry

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<sup>21</sup> *Executive Order -- Accelerating Investment in Industrial Energy Efficiency* (White House, August 2012)  
<http://www.whitehouse.gov/the-press-office/2012/08/30/executive-order-accelerating-investment-industrial-energy-efficiency>

to be globally competitive throughout the 21<sup>st</sup> century. We must continue to pursue avenues legislatively, through the Obama Administration, and within the private sector to deploy industrial energy efficiency.

### *Clean Energy*

Transitioning to a clean energy economy will enable the U.S. to take advantage of a swell of clean energy investments, maximize its competitiveness in the global market and increasing demand for domestic manufacturing. Over the next decade, an estimated \$2.3 trillion will be invested in clean technologies,<sup>22</sup> and a systematic greening of the U.S. economy will attract some of this investment. However, according to Ernst and Young<sup>23</sup> the U.S. renewable energy investment climate is losing attractiveness while countries like China and Germany are gaining ground. In fact, between 2005 and 2010, China's 5-year clean energy growth rate toppled the U.S.'s by 27 percentage points.<sup>24</sup>

Furthermore, because other countries have developed long-term policy to foster investment and support of clean technologies while the U.S. has not, the U.S. is currently "ceding job growth and profits to companies overseas that now profitably export their goods and expertise to the United States."<sup>25</sup> Accordingly, China produces almost 48 percent of all solar photovoltaic cells in the world, followed by Taiwan, and Germany, whereas the U.S. only produces 4.6 percent of all solar photovoltaic cells.<sup>26</sup> Chinese manufacturers account for 4 of the top 10 wind equipment

<sup>22</sup> "Global Clean Power: A \$2.3 Trillion Opportunity," (The Pew Charitable Trusts, 2010) [http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Global\\_warming/G20-Report-LowRes.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Global_warming/G20-Report-LowRes.pdf) (accessed January 24, 2012).

<sup>23</sup> The Ernst and Young Country Attractiveness Indices provide scores for national renewable energy markets, renewable energy infrastructures, and their suitability for individual technologies. The indices provide scores out of 100 and are updated on a quarterly basis.

<sup>24</sup> "Global Clean Power: A \$2.3 Trillion Opportunity," (The Pew Charitable Trusts, 2010) [http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Global\\_warming/G20-Report-LowRes.pdf](http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Global_warming/G20-Report-LowRes.pdf) (accessed January 24, 2012).

<sup>25</sup> *U.S. Is Falling Behind in the Business of 'Green'* (New York Times, June 8, 2011)

<sup>26</sup> *Year of the Tiger* (PHOTON International, March 2011) [http://www.photon-international.com/download/photocell\\_production\\_2010.pdf](http://www.photon-international.com/download/photocell_production_2010.pdf) (accessed July 8, 2011).

manufacturers in the world, while only one U.S. company ranks among the top 15 wind equipment manufacturers.<sup>27</sup>

Steel is especially prevalent in the production of wind turbines. A typical wind turbine contains 89.1 percent steel,<sup>28</sup> measuring upwards of 200 tons of steel per turbine.<sup>29</sup> According to the American Wind Energy Association, in 2008, utilities and manufacturers installed more than 5,000 utility scale wind turbines in the United States, requiring more than 1.1 million metric tons (Mt) (1 million short tons) of iron and steel<sup>30</sup> Installed capacity has grown each year over the last 5 years, topping out 13,124 MW installed in 2012 (up from 8,361 MW in 2008).<sup>31</sup>

Available data also suggests that developing the commercial wind turbine industry to a level sufficient to meet a 20 percent wind energy by 2030 goal would require 36 to 44 Mt of cast iron and steel from 2010 to 2030, or an annual average of 1.8 Mt.

With regards to solar energy, according to the International Stainless Steel Forum, “There are many approaches to producing electricity and domestic hot water from solar energy. Whatever the technology, stainless steel has a role to play. It can be used as part of a substrate of amorphous cells or as a collector material in solar thermal panels. It can be found in ancillary components such as frames, fasteners and connectors. Stainless steel can also be an essential element in downstream equipment such as tanks and heat exchangers.

<sup>27</sup> *China Rivals Narrow Gap on Wind Leader Vestas*, (Reuters, March 15, 2011)

<sup>28</sup> *Increasing wind energy's contribution to U.S. electricity supply*, U.S. Department of Energy (U.S. Department of Energy, 2009) <http://pubs.usgs.gov/sir/2011/5036/sir2011-5036.pdf>. Originally from *20% wind energy by 2030* (U.S. Department of Energy, 2008) <http://www1.eere.energy.gov/windandhydro/pdfs/41869.pdf> (accessed April 4, 2010.)

<sup>29</sup> For more information on the wind industry manufacturing supply chain, including a detailed description of the anatomy of a wind turbine, please see the Wind Energy Manufacturing Supplier Handbook (Clean Energy Manufacturing Center, BlueGreen Alliance Foundation) [http://www.thecemc.org/body/Wind-Energy-Industry-MFG-Supplier-Handbook\\_1.pdf](http://www.thecemc.org/body/Wind-Energy-Industry-MFG-Supplier-Handbook_1.pdf)

<sup>30</sup> *Basics about the wind energy value chain* (American Wind Energy Association 2009) [http://www.awea.org/la\\_pubs\\_factsheets.cfm](http://www.awea.org/la_pubs_factsheets.cfm) (accessed April 4, 2010)

<sup>31</sup> *Industry Stats* (American Wind Energy Association) [http://www.awea.org/learnabout/industry\\_stats/](http://www.awea.org/learnabout/industry_stats/)

Wherever it is used, stainless steel makes a contribution to the sustainability and eco-friendliness of our built environment.”<sup>32</sup>

Here are a few more examples of the usage of steel, particularly stainless steel, in clean energy manufacturing:

- Stainless steel can be used in the manufacture of condensing boilers. Condensing boilers are today’s most energy efficient heating method, with a 100 percent efficiency rating. Stainless steel is required because of the condensation that occurs during the process — therefore corrosion resistance is of high importance.
- Rooftop solar panels do not just reduce the use of fossil fuels they mean that renewable sources can be used instead. Stainless steel versions can account for a considerable part of the energy needed for the preparation of hot water and room heating. Solar panels can also be integrated into the buildings roofing or cladding possibly adding to its aesthetic appeal.
- Fuel cells are a source of energy for the future. Much like a battery the fuel cell converts chemical energy into electrical energy. Working from either natural gas or hydrogen, they generate heat and electricity with only one emission: water. Stainless steel is used for supporting the electrodes which are stronger, easier to manufacture and cheaper than ceramic versions. Fuel cells can be used in a variety of places including in cars and in domestic heating systems alike.

The domestic clean energy industry has built up due to its sincere potential and with the help of necessary policy support, as every other energy source has been afforded. Yet, existing policy support for clean energy does not provide adequate long-term certainty for the industry to

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<sup>32</sup> “Stainless Steel In Solar Energy Use” (International Stainless Steel Forum) [http://www.worldstainless.org/Files/issf/non-image-files/PDF/ISSF\\_Stainless\\_Steel\\_in\\_Solar\\_Energy\\_Use.pdf](http://www.worldstainless.org/Files/issf/non-image-files/PDF/ISSF_Stainless_Steel_in_Solar_Energy_Use.pdf)

succeed. In order to capture the potential clean energy brings, for supply chain manufacturing and more broadly, we must implement policies that provide long-term policy certainty.

### **Trade and Competitiveness**

#### *Buy America*<sup>33</sup>

Buy America policies reflect where the jobs are, not where the manufacturing companies are headquartered or incorporated. This approach ensures that the job-creating impact of critical infrastructure investments is maximized, and that taxpayer dollars are reinvested in jobs and communities here at home.

Any weakening of the existing Buy America standard — including the requirement that steel be “melted and poured” in the United States in order to be Buy America compliant — would undermine this job-creating potential. It would encourage capital and resource intensive processes to move overseas, jeopardizing U.S. steelmaking jobs as well as those jobs associated with production of the raw materials used to make steel. Weakening the existing standard would also be fundamentally inconsistent with Congressional intent and would be an unwarranted departure from more than 30 years of precedent. As a result, Congress should reject any attempts to weaken the existing Buy America preferences and should maintain the long-standing requirement that steel used in taxpayer-funded infrastructure projects be “melted and poured” in the United States.

A majority of steelmaking jobs are concentrated at the hot end of production; but it is not just those direct steelmaking jobs that are at stake. Domestic integrated steel producers rely heavily upon domestic suppliers of key inputs such as iron ore mined in Minnesota and Michigan; and limestone from states such as Alabama, Indiana, Michigan, Missouri, Ohio, Pennsylvania, Texas,

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<sup>33</sup> For more information on Buy America, please see: *Buy America: One Element of the Solution to Our Jobs Crisis* (BlueGreen Alliance, August 2011) <http://www.bluegreenalliance.org/blog/buy-america-one-element-of-the-solution-to-our-job-crisis>



and Wyoming. Additionally, minimills source approximately 93 percent of their scrap domestically. Domestic producers also rely upon domestic energy sources, such as natural gas. According to the American Iron and Steel Institute's ("AISI") *2010 Annual Statistical Report*, for every one of the steel industry's 135,000 direct jobs, the steel sector generates seven jobs in upstream and downstream industries, adding an additional 945,000 jobs to the economy.

Some U.S. steel converters are arguing for a change in the definition of both steel and manufactured goods, with the intended result that steel slab or materials and components that go into manufactured goods could be produced offshore, but the final product would be deemed "domestic" if further processing occurs in the United States. Such a fundamental change to a lesser "substantial transformation" definition — a dramatic departure from longstanding and well-established law in this area — would encourage broad outsourcing of manufacturing and would lead to a huge decrease in American steel and manufacturing jobs, as well as jobs in the critical raw materials sectors that serve these industries.

In addition to the loss of quality, high paying jobs, such outsourcing of American production risks discouraging domestic iron and steelmaking altogether and increases our dependence on foreign producers. For products necessary to so many critical sectors of our economy—from infrastructure to energy to housing, and especially national defense — increasing our reliance on foreign producers presents both economic and national security concerns.<sup>34</sup>

#### *Research and Development*

Manufacturing is responsible for 70 percent of all private-sector research and development spending and 90 percent of all American patents.<sup>35</sup> Manufacturing is also a productivity powerhouse and major driver of economic growth. Between 1997 and 2005, labor productivity

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<sup>34</sup> Information within this subsection heavily references a white paper produced by the Alliance for American Manufacturing. Please see here for more information: <http://www.americanmanufacturing.org/>

<sup>35</sup> *A Framework for Revitalizing American Manufacturing* (Executive Office of the President, December 2009)

in manufacturing grew 60 percent more than in the economy as a whole.<sup>36</sup> Every dollar in final sales of manufactured products supports \$1.37 in other sectors of the economy, compared to about 50 cents for every dollar of activity in the financial services sector.<sup>37</sup> If we fail to restore our manufacturing base, our innovation edge and research and development capacity will also falter.

For example, the Department of Energy's Advanced Manufacturing Office recently launched the Innovative Manufacturing Initiative, which selected 13 projects that achieved transformational manufacturing processes and materials. One of the 13 projects selected was Flash Ironmaking technology, which is a cleaner, coke-free way to produce iron from abundant domestic iron ore concentrates and natural gas, with 32-57 percent improved energy productivity. The Department of Energy partnered with the American Iron and Steel Institute, ArcelorMittal, U.S. Steel and others to provide \$7.1 million to support the Scale-up Process Validation phase at the University of Utah.

We must continue to support research and development such as this being done in the Advanced Manufacturing Office, as well as the work being done at the Department of Commerce.

#### **Addressing the Threat of Climate Change and Mitigating Environmental Impacts**

According to the World Steel Association, "Steel is at the core of the green economy, in which economic growth and environmental responsibility work hand in hand. Steel is the main material used in delivering renewable energy — solar, tidal and wind. All steel created as long as 150 years can be recycled today and used in new products and applications. By sector, global steel recovery rates for recycling are estimated at 85% for construction, 85% for automotive, 90% for machinery and 50% for electrical and domestic appliances. This leads to a global

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<sup>36</sup> Schwenninger, S. and Sherraden, S. *Manufacturing and the U.S. Economy* (New America Foundation, July 2009)

<sup>37</sup> "America Needs a Manufacturing Strategy" (New America Foundation, February 3, 2010)

weighted average of over 70%. The amount of energy required to produce a tonne of steel has been reduced by 50% in the last 30 years. Nowadays, 97% of steel by-products can be reused.”<sup>38</sup>

Left unaddressed, climate change will wreak havoc on the globe. By the end of this century, the world will see more and more superstorms like what the Mid-Atlantic experienced with Sandy, longer and more intense heat waves, increased instances of flash floods, significant changes in water availability for human consumption, increased length and severity of drought, and other catastrophic effects.<sup>39</sup> To avoid the upheaval of unchecked climate change, we require immediate and coordinated action to transition the global economy to a clean energy economy. We can no longer consider economies productive if they rely on ever-increasing emissions of climate change pollution. We must take every action necessary to reduce or prevent these emissions in a manner that can build a lasting, sustainable economy that provides high quality employment and helps rebuild the middle class.

No response to climate change can be sufficient without incorporating support for domestic manufacturing. Supporting domestic manufacturing decreases the negative environmental impacts of international shipping and under-regulated manufacturing in foreign countries. Ninety percent of the world’s trade travels by sea, according to the International Maritime Organization.<sup>40</sup> Carbon emissions from the shipping industry are growing steadily as developed countries increasingly outsource production overseas. The U.S. Environmental Protection Agency estimates carbon emissions from global shipping are expected to increase 150 to 250 percent by 2050 if policies to reduce emissions aren’t implemented.<sup>41</sup> For example, the share of steel traded internationally has grown from 22 percent in the mid-1970s to 40 percent in 2000,

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<sup>38</sup> *Key Facts* (World Steel Organization) <http://www.worldsteel.org/media-centre/key-facts.html>

<sup>39</sup> “Global Climate Change: The current and future consequences of global change” (NASA) <http://climate.nasa.gov/effects/> (accessed July 16, 2012)

<sup>40</sup> *IMO and the Environment* (International Maritime Organization.) (accessed May 2012)

<sup>41</sup> *Adoption of an Energy Efficiency Design Index for International Shipping* (Environmental Protection Agency, 2011.) Web. 31 May 2012.

making it a contributor to the impact of overseas shipping.<sup>42</sup> Purchasing domestically manufactured goods thus decreases the effect of international shipping on the environment.

In addition, purchasing domestically manufactured goods assures that the mining of iron ore, domestic steel and manufacturing are done in a manner consistent with U.S. pollution control standards. Meanwhile, foreign competitors may follow much less stringent pollution control standards — especially in developing countries — and consequently cause harm to the environment. For example, Chinese steelmakers, free of stringent pollution control standards, emit 3.53 kg of carbon dioxide per ton of steel produced, while steelmakers in the U.S. emit 0.7 kg of carbon dioxide per ton of steel.<sup>43</sup>

### **Conclusion**

Mr. Chairman, Ranking Member, and fellow Members of the Subcommittee we truly believe that reinvigorating the steel sector, along with the rest of American manufacturing, can revitalize the American middle class and move America to a clean economy, ensuring that we continue to address climate change. We look forward to working with you to implement and foster solutions that achieve this.

Once again, thank you for the opportunity to testify today and I look forward to your questions.

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<sup>42</sup> Bradley, Rob et al. *Slicing the Pie: Sector-Based Approaches to International Climate Agreements*. Washington, D.C. (World Resources Institute, 2007) (accessed May 2012)

<sup>43</sup> *An Assessment of Environmental Regulation of the Steel Industry in China*. (Alliance for American Manufacturing, 2009) (accessed May 2012)

Mr. TERRY. And thank you to all of our folks here on the panel. Very well done.

This now starts our question period. We get to ask you questions, and you get to answer. And it is not under oath, but we still expect you to be honest and truthful with us. That is right. You had to agree to that and sign that. That is right.

So most of the discussions really boil down to a few areas that there seems to be consensus among you, and that is the trade policies, energy policies. And then amongst the energy policy is being cleaner, more efficient. And then I should add workforce. So I am going to focus my first round of questions on energy, and probably to Mr. Surma and Mr. Ferriola. I'll start with you, Mr. Ferriola.

What is your current worry about energy—what is the one thing in that general field that worries you the most or concerns you the most?

Mr. FERRIOLA. Well, we believe that the best way to get sustainable growth in the economy is through job creation. We need to create more jobs here at home. To do that, we need a reasonably low-priced, affordable, and available energy source. Natural gas is a great answer to that need.

Our concern is that we will export that competitive advantage away. We are not saying that you cannot export natural gas. We believe that you need to show concern about both the producer and the user of that natural gas, focus on restoring our manufacturing base here in America first, and at that time, if we have excess gas, then we should export it.

Mr. TERRY. Mr. Surma.

Mr. SURMA. As I mentioned in my remarks, Mr. Chairman, our company is very large user of natural gas, and we are also the largest pipe producer and providing pipe and other services to natural gas producers. So inside our company we have the same tension that may be felt across your committee. We believe that a middle-of-the-road approach, cautious approach, to natural gas, LNG exports would be appropriate, as my distinguished colleague just mentioned.

We have to keep a close eye on the supply side. I think it would be important, and we would very much be in favor of a policy, administration Federal policy, that encourages continued development of domestic energy sources, natural gas liquids, and oil, and with pipeline transportation, because it is safer and better, as my colleague said, but also uses a lot of steel. A policy which says no exports we think is really outside of what WTO would want anyway. A policy which says unbridled exports are fine I think causes us supply worries. So we think a process that is cautious, that allows the market to give us some information as these large projects would come on stream, and balances the supply/demand so that large users like us aren't at risk.

The supply side needs to be encouraged by Federal policy that should encourage very high environmental standards. We should make no compromise on that. But I think it can be done safely in an environmentally sustainable way while still providing enormous economic benefits, employment, balance of trade among other things, to domestic industry. So a favorable energy policy that encourages domestic development and a cautious approach to exports.

Mr. TERRY. Anyone want to add to that testimony? Anyone?

All right. In regard to natural gas sustainability, availability, reliability, affordability, do any of you worry about EPA regulations or potential regulations?

Mr. Surma.

Mr. SURMA. I maybe was not as explicit as I should be. We think regulations that would be designed to impede the continued safe and economically sustainable development of domestic natural gas would be a terrible idea. We think the domestic natural gas production process has been demonstrated to be safe. They should be held to very high standards.

But if one wonders why domestic natural gas is such a success story in the U.S., this is the only place that there are rocks with gas in them. OK? Argentina, Poland, Wales, China, everywhere. The reason it is successful here is because we have an entrepreneurial culture, capital markets that allow capital to flow to a good use like that, open access pipelines, and a market. And we think that that process of entrepreneurial spirit should be allowed to continue with very high standards. No problem with that, and I think the good companies know how to do that.

But we think that the supply side of this is extremely critical if, in fact, the other benefits are intended to flow. We use 130 million MMBTUs of gas per year, and I don't want to have to worry about where it is going to come from, and I would rather not see it at \$10 an M, which is what it was not too long ago.

Mr. TERRY. Yes. I remember that time.

Anyone else want to add on to that?

Mr. Ferriola.

Mr. FERRIOLA. I think my colleague said it very well.

Mr. TERRY. All right. Then I will recognize the gentlelady from Chicago, the ranking chairman, Ms. Schakowsky.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman.

I wanted to ask Ms. Pena Lopes, I wanted to begin with this. I feel that the greatest challenge facing humankind on Earth today is if we—is climate change, and that it can disrupt nations and their stability and create massive disruptions. Obviously your coalition has brought together what some see as disparate partners, and I am just wondering how those—how you have resolved those kinds of issues in your coalition.

Ms. PENA LOPES. Thank you for your question, Ranking Member Schakowsky.

So all of our partners are committed to addressing the issue of climate change. Everybody cares and wants a cleaner, more safer Earth, I guess you can call it. And also everybody embraces the potential opportunities that come from addressing climate change as well.

From our perspective, whether in the past when we supported comprehensive climate change, or even now as we are working through the issues of the various EPA regulations on greenhouse gases that are potentially before us, we really just—we see this as, again, not just an opportunity to combat climate change, but a real opportunity to create jobs and make our industries and companies more efficient.

On the issues that we don't—I am sorry. On the issues that we—there are differences, and there are quite a few, we really provide a safe table to understand each other's perspectives, but then do not take a position on them in the end if that is where we land.

Mr. SCHAKOWSKY. Your written testimony cited a 2009 McKinsey & Company study that stated that the U.S. Can reduce primary energy consumption by 21 percent by 2020, saving the U.S. \$47 billion a year, just by unlocking potential for energy efficiency in the industrial sector. So I am wondering if you could elaborate a bit.

Ms. PENA LOPES. Sure.

Mr. SCHAKOWSKY. And then any of the others that would want to contribute to that.

Ms. PENA LOPES. Great. Thank you for your question.

We see a lot of opportunity in industrial efficiency. As you know, the Obama administration several months ago put forward an Executive Order with respect to industrial efficiency and to work towards that. There is also legislation that is about to be introduced.

But we have seen great examples like with ArcelorMittal. There was a Department of Energy ARRA grant of—actually, it was a matching grant for \$31 million that really led to great, great savings where they were actually able to generate and regenerate their energy. This, of course, means, again, cleaner, more efficient industry and also——

Mr. SCHAKOWSKY. If I could just—I wonder if Mr. Rippey would want to comment on that.

Ms. PENA LOPES. Yes.

Mr. RIPPEY. The project that Ms. Lopes refers to is our number 7 blast furnace in East Chicago, Indiana. It is the largest blast furnace in North America. Prior to receiving applying for and receiving that grant, the total amount of the project was \$63 million, we were simply flaring the waste gas from that furnace. We were able, in the presence of the grant and installing this equipment, to capture 100 percent of that waste gas and convert it to electricity, which, of course, can be used to supply homes and every industrial application for electricity that we can imagine. So it is a wonderful example of how industry can continue and should improve its use of energy resource in this country.

I might add that since 1990, the domestic steel industry has reduced its use of CO<sub>2</sub> by nearly 30 percent and its greenhouse gas emissions by 33 percent. So I think we have a track record in this area of success, and we should continue to challenge ourselves in this area.

Mr. SCHAKOWSKY. And is it true that it saves your company nearly \$20 million?

Mr. RIPPEY. Yes, it did.

Ms. SCHAKOWSKY. A year?

Mr. RIPPEY. Per year, yes, that is correct.

Ms. SCHAKOWSKY. Pretty impressive.

Mr. RIPPEY. Win-win project all the way around, as people define win-win.

Ms. SCHAKOWSKY. Excellent.

Did you want to say something, Mr. Surma? I didn't know if you wanted to add anything.

Mr. SURMA. Just briefly. In our company's case, as I mentioned, we are using natural gas now to inject into our blast furnaces, thereby reducing the amount of coal-based coke that we have to use by significant amounts that financially probably save us on the order of \$100 million a year. But the emissions reductions on that are also significant, and we are doing that because it is in our best business interests to do so, and it is entirely consistent with the kind of emissions reductions you would like to see.

One of the reasons that our industry has the lowest per-unit carbon emissions per ton in the world is because we are also the most recycled material of all time.

Ms. SCHAKOWSKY. Do you mean the U.S. Steel industry?

Mr. SURMA. Yes.

Ms. SCHAKOWSKY. You are comparing——

Mr. SURMA. Versus the rest of the world.

In the U.S., if we have roughly 100 million tons of production, two-thirds of that is from recycled material, scrap metal. It is the highest recycling rate of all time, more than aluminum, glass, plastic times four. The best recycling system of all time because economics drives it. And that is one of the reasons we are reusing the energy and the labor and the materials over and over again.

Almost all the steel that has ever been produced since the 1890s is still in use today. It doesn't go to a landfill, it goes back in the system. So it is a wonderful system that allows us to enjoy economics and emissions levels which are far superior to most of the rest world.

Ms. SCHAKOWSKY. Thank you so much. I am going to have to yield back.

Mr. TERRY. Thank you.

Mr. McKinley, you are—I am sorry, Mr. Lance is recognized for 5 minutes.

Mr. LANCE. Thank you, Mr. Chairman. I will be brief.

To Mr. Harshman, in your testimony you state that your industry continues to see substantial evidence of unfair trade practices, such as dumping and foreign governmental subsidies to the specialty steel sector. Might you be able to describe with some specificity what these practices are, and who are the worst offenders, and what trade enforcement options do you believe are at your disposal?

Mr. HARSHMAN. Sure. Thank you.

First of all, across all of our alloy systems, we are very diversified starting with stainless steel and getting into the much higher, more technological, higher barrier to entry of titanium and nickel alloys. But that competition is coming, and it is coming from the same places. We see the more commoditized products——

Mr. LANCE. Coming from Asia?

Mr. HARSHMAN. Coming from China, it is coming from Korea, it comes from Russia in terms of titanium. Eventually, longer term, 10, 15 years down the road, it will come from places like India.

Mr. LANCE. And the titanium is found where?

Mr. HARSHMAN. Titanium as an element is the seventh most common element in the Earth's crust. And it starts either with ore or rutile, and from that is produced titanium sponge, which is a



raw material that we then melt and alloy and produce into the kind of products that make rotating components in a jet engine.

On the dumping side, really where we see it in our business today is more on the more commoditized business of stainless steel. And we can go back and where the U.S., in 2012—where the U.S. Economy began to weaken after a reasonable recovery in the first quarter from a very challenging 2011, we saw—at the same time as our demand started to decrease, we saw significant or some weakening in the Chinese market from a production standpoint.

And we can track when the imports from China began in March and April, really the surge of imports into the U.S. Market in that same time period where the Chinese economy started to weaken, significant dumping of product in the U.S. at very low prices, so that today there isn't—looking at just stainless steel, there isn't a stainless company in the world that is profitable. And that has to do with capacity, a large part of the capacity——

Mr. LANCE. What should we do about that?

Mr. HARSHMAN. Well, part of what—we are not going to control what happens in the Chinese market, but we can, as a Nation, make them live up to their commitments that they made when they were admitted to the WTO, and, in addition, look at the manipulation of currency, which has to be viewed as a significant market distorter.

Mr. LANCE. We certainly urged the administration to do that. Is there anything we can do in our responsibilities as the legislative branch?

Mr. HARSHMAN. Keep pushing it. I know there was a bill introduced yesterday that continues to focus on the Chinese as a currency manipulator; not just China, but other nations of the world as well. And we are at a trade war. We are in a trade war today. And it is represented by all of the companies sitting at this table, and longer term, as you get into the more advanced alloys and alloy systems, the capabilities and the technologies that this country has today the Chinese aspire to, the Indians aspire to, and longer term the Vietnamese aspire to.

Mr. LANCE. Thank you.

Do the other members of the panel agree with what Mr. Harshman has said?

Unanimity, let the record show. So rare here in Congress.

Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. TERRY. Thank you.

At this time we recognize the kind gentleman from North Carolina Mr. Butterfield for his questions.

Mr. BUTTERFIELD. Thank you very much, Mr. Chairman. I apologize for being late to you, but you know the routine that we keep around here. I left the floor a few minutes ago after we passed that continuing resolution. It is going to keep the government open now until September 30th. At least we have that behind us. Now I am preparing to get in my automobile and drive 4 hours to my district. So I apologize for being late.

But, Mr. Chairman, I thank you for holding today's hearing on the American steel industry. And I just want to say publicly that plate steel is a very important part of my congressional district, and Nucor has a very robust facility there in my district. And while

they are providing good steel for the world, they are also providing good jobs for the people that I represent. And so steel is so very important to me.

It is clear from today's testimony that we can do more to support domestic steel production. The U.S. is the third largest producer of steel in the entire world, but we rank number 12 in exports. We must develop and support policies that disincentivize foreign steel producers from circumventing existing antidumping and countervailing duty orders.

And so the gentleman from Nucor Mr. Ferriola, I appreciate you and all of our other witnesses for being here today. You are the president and CEO of Nucor. And, as I said in my opening statement, Nucor is a very large steel producer in my district. Nucor has a tremendous presence in the district and is a great success story for eastern North Carolina in domestic steel production. At their Hertford County facility alone, Nucor's 458 employees produce an astounding 1.6 million tons of steel plates every year. And I have been there, and I have seen it on many occasions, and it is really something to behold.

Nucor recently completed a \$110 million heat-treating facility that now enables them to manufacture steel armor plates for the military, having a direct impact on the safety and security of our forces.

As you may know, I have toured the facility and have gotten to know your team very well. They are hard working and dedicated. And on behalf of Hertford County and all of us in the district, we are happy to have them.

And so, to the witnesses, I will direct this question to, I guess, Mr. Ferriola. I highlighted the \$110 million capital development project in one of my counties. When so many businesses are downsizing, laying off employees, or, even worse, closing entirely, what motivated you and your company to make such a large capital investment in a rural community?

And I might also tell my friends that my district is the fourth poorest district in the United States of America. People don't realize that, but we are right at the bottom. And what motivated you to make this investment?

Mr. FERRIOLA. Fate and confidence in our team, our workers, and, frankly, in the American worker. We believe that if we are allowed to have a level playing field, American industry, the American worker, the Nucor teammate will compete very successfully on the world market.

So we are not afraid to make these type of investments. We do ask for your help in making sure we get that level playing field so that we have the opportunity to earn the types of return on those investments that we need to continue to provide long-term, sustainable, high-paying jobs for Americans.

Mr. BUTTERFIELD. And it makes you competitive with anyone in the world; is that right?

Mr. FERRIOLA. We believe that we are more than competitive with anyone in the world.

Mr. BUTTERFIELD. Thank you. Thank you so very much.  
I yield back, Mr. Chairman.

Mr. TERRY. Thank you, Mr. Butterfield.

At this time, Mr. McKinley.

Mr. MCKINLEY. Thank you, Mr. Chairman. I have got probably 20 minutes of questions to try to get in to 5, so I don't think we are going to be able to get through all.

But I come from an area that has been markedly affected by the demise of the steel industry, the northern panhandle of West Virginia. We used to have 30,000 steelworkers in those communities. So you look at that as 90,000, maybe 90,000 citizens, that were affected, that have lost their jobs. So I am very frustrated with it.

We are not Philadelphia or New York or Chicago or St. Louis. This is America, these little towns that are being affected with it. And we were told over the years—I am going back just in the 1980s that we had 30,000. We were told that it was the dumping and currency manipulation was much of the fault of the demise of the steel in our valley.

I applaud ArcelorMittal for holding on to the tin mill in Weirton, but you drive through that town, see the rest of it all boarded up, it just takes your breath away to think of all the hundreds of thousands of people that are hurting as a result of this loss.

So my question in part is why—what are you hearing why they—the administration won't cite China as a currency manipulator? Does anyone know why they won't do that? If everyone keeps saying it is currency manipulation, but yet the administration won't cite them.

Mr. HARSHMAN. Yes, I—quite frankly, this has been going on for a long time.

Mr. MCKINLEY. Could you speak up just a little bit, please?

Mr. HARSHMAN. This has been going on for a long time. This is not just within the last 4 or 5 years. So from—this is a national problem, right? This isn't a political issue. But I do think that——

Mr. MCKINLEY. What——

Mr. HARSHMAN. Well, the best answer, the only answer I keep hearing, is, well, they're—we can't get into a trade war with the Chinese. That will start a trade war. And in actuality——

Mr. MCKINLEY. So we can just expect to have more Weirtons, Martins Ferry, Bel Air just dry up?

Mr. HARSHMAN. Well, sir, I can't answer that from the standpoint of the administration or the Congress, but I can tell you from the standpoint of a CEO of a large manufacturing company that operates in 18 States in the United States, many of whom are represented on this panel, that this is a war. This is a trade war. And we can't stand behind the view that we can't—that we don't want to upset——

Mr. MCKINLEY. Would we be adding to this trade war if we tried to level the playing field——

Mr. HARSHMAN. I don't believe so.

Mr. MCKINLEY. Let me finish. If we were to level the playing field by requiring as part of the determination for fair trade or fairness to have our competing nations have the same air and water qualities that we have here in America?

Mr. HARSHMAN. I think that is part of the level of the playing field.

Mr. MCKINLEY. What would happen to American production if we caused that to happen, that nations would have to meet our standards so that it is a level playing field?

I am a fellow of the American Society of Civil Engineers, so I am well aware of all the bridges and repairs that have to be done. I am very concerned that we are going to continue to lose our position. So I—what happens then?

Mr. HARSHMAN. I think what happens is that you have a stronger U.S. Economy that is growing and providing jobs. That is what happens.

Mr. MCKINLEY. How about, I assume the rest of you would agree with that, that that really would have a dramatic impact? I don't know how realistic it is, but I sure think it ought to be a shot fired across someone's bow.

Yes, U.S. Steel?

Mr. SURMA. If I could add, Mr. McKinley, last week—the American Iron and Steel Institute always releases our industry utilization statistics. Last week our industry ran at about 73 or -4 percent. Last week China set an all-time record production. So in our country, if we need 120 million tons of steel, we are only producing about 90-some million tons of that. The rest is coming from places that don't live here.

As a young auditor, Mr. McKinley, my first client was Wheeling-Pittsburgh Steel. I have been to Benwood, Beach Bottom, Follansbee, Martins Ferry. I have been there. It is tragic. And if we were running at 85 or 90 percent, those folks would be at work today.

Mr. MCKINLEY. Let me just close in the time frame I have. I don't know whether any of you are aware that there is a potential trade barrier or conflict we are having with Canada right now that steel pipe—there is a—in the province of Ontario, the regional council appeal has banned the use of steel pipe in a \$500 million water project. Are any of you aware of that, that they are banning steel pipe? They are replacing it with concrete.

And what I want to make sure is that we stop this trade problem early before it becomes contagious and other people pick up on that issue. So any of you could look into that, I would love to hear back from you.

Mr. TERRY. Thank you, Mr. McKinley.

Now Mr. Guthrie from Kentucky.

Mr. GUTHRIE. Thank you, Mr. Chairman. Appreciate you having this hearing because this is important.

My family is in manufacturing. My dad worked for Ford in an aluminum-casting facility, and now have one that we run—after that plant closed, we had one of those—well, it is no longer there, but a place you drive and say, wow, there were a lot of good, hard-working people who made their living there. And it was just a tough, tough decision Ford had to make. And they had to make it to stay in business back in the early 1980s.

My question really, well, first of all, gets to—we are talking about the environment on the green initiatives. We are supplier to the automotive business before I came here, so I have been in countless manufacturing facilities. And I am sure everybody up here, because I know the quality of your organizations, have your

environmental policy, your—how you deal with your community, how you deal with your neighbors. And maybe it is different than it was before I was going around, but everybody—you—even if you wanted to, which you don't, you couldn't get away with not being a good neighbor anymore.

So the industries you are talking about—I think Al Gore said one time, "Pollution is really inefficiency." But you can't run everything 100 percent efficient, but everything you get down to that is reasonable is just benefiting your business. Isn't that what you guys are figuring out to do to be more profitable? And being good stewards of the environment.

And to the point, you may see me sometime around here, if I see an aluminum can in a trash can, I will usually reach in and get it out, because if it goes into a landfill, it does nothing for us; if it goes back in the stream of commerce, it makes my product cheaper because we buy scrap to form into—so corporate America and manufacturing America are concerned about the environment and have done great strides.

And I went to school on the Hudson River, so I know there are issues there that you can't ignore that things have happened in the past, but we are moving forward and working together, and I appreciate that.

But there is a concern, I think it was in Mr. Harshman's testimony, written testimony, about the EPA mercury source control requirements. And I think you said that would effectively preclude the construction of any new facilities in the U.S. Could you clarify that? Because we are struggling with that in our area as well.

Mr. HARSHMAN. Yes, well, from some of the regulations that are being discussed, as it pertains particularly to the specialty metals industry, and more specifically to nickel alloys, the EPA is discussing the—significantly lowering the standards for the measurement of mercury, which would be at a level that technology doesn't even enable you to measure. And when you look at the amount of mercury that is a part of the process from a specialty metals industry standpoint, it is negligible. It is at levels that is not contributing to any environmental concern from a scientific fact data standpoint.

And the introduction of levels of—that are below the ability of companies to measure is not, in our view and in the industry's view, the responsible approach to how can we produce and have a viable economy with a safe and responsible environmental compliance.

And I think that the businesses in this country—and you are right, we have learned the lesson over the past 40 and 50 years, and the amount of investments that have gone on in the metals and steel-related industries over the past 30 and 40 years, all of which have to be funded by profits and profitable growth, every investment in the \$1.1 billion investment we are making today in our new hot rolling and processing facility in Brackenridge, Pennsylvania, is state-of-the-art control systems with state-of-the-art environmental systems, and advances the state beyond our 60-year-old mill.

Mr. GUTHRIE. We have that in our area. We have a coal-fired plant that supports aluminum smelter. The aluminum smelter uses

as much electricity as the city of Louisville. And these maximal achievement standards—it is not measurable. This electric company has got to decide are we going to invest this kind of money to serve one client, and if—and so there is—these are United Steel-worker jobs that pay the kind of wages you are talking about, and this is real. I mean, these are real jobs you can point to that are as risk.

I am going to yield the rest of my time to Mr. McKinley.

Mr. MCKINLEY. Thank you.

I have one last question with that, and that has to do with the International Trade Commission. When they—when they make a determination that someone is guilty of dumping, it is my understanding that that money then, the duties collected, are transferred to the Treasury.

Why don't they go to the companies that are affected and convert—and by virtue of that extension to the men and women that have worked in the steel mills that have lost their jobs as a result of it? Do any of you—can any of you respond to that in 11 seconds that we have left?

Mr. FERRIOLA. I can do it in just a few seconds. We agree. At least I agree.

Mr. TERRY. Do everybody agree with Mr. Ferriola's comment?

All right. Mr. Murphy from Pennsylvania, you are recognized for your 5 minutes.

Mr. MURPHY. Thank you.

Ms. Lopes, quick question. Isn't it true that the BlueGreen Alliance and your members have opposed the Keystone pipeline? Yes or no?

Ms. PENA LOPES. We have some members——

Mr. MURPHY. Yes or no. I believe it is yes.

And isn't it a true——

Ms. PENA LOPES. We have a position.

Mr. MURPHY. Is it true or not?

Ms. PENA LOPES. We have no position on Keystone pipeline. We have some members who are in support of Keystone and others who are against it.

Mr. MURPHY. And isn't it true that some of your members have been opposed to coal use, coal mining, coal exports, and coal-fired power plants?

Ms. PENA LOPES. Some of our environmental partners, yes.

Mr. MURPHY. I will take that as a yes.

Do you have a buy American policy for BlueGreen Alliance?

Ms. PENA LOPES. Yes.

Mr. MURPHY. OK. Are you going to be in support of our Currency Reform and Fair Trade Act, 1276, that is going to deal with Chinese and other countries' currency manipulation?

Ms. PENA LOPES. I will be happy to look at it.

Mr. MURPHY. OK. Thank you.

Mr. Surma, sorry I wasn't here to hear your positive comments, but thank you.

You have made a lot of investments in domestic tubular production in recent years. How did those investments relate to the import situation?

Mr. SURMA. As I mentioned in my comments, Congressman Murphy, we invested, among other things, \$100 million in a new plant in Lorain, Ohio, just west of Cleveland, because our customers said they were concerned about the availability of certain types of casing for down-hole applications and some of the higher-end alloys and finishing that we could provide; \$100 million, 100 new people. And we are working there today.

That will stay invested for another 25 or 30 years, and that was on the assumption in good faith that there would be a level playing field for all of us. Since then, as I mentioned in my testimony, Korean exports up a huge percentage; Vietnam from zero to 240 percent; Saudi Arabia, 400 percent. That is taking away our markets, and we have had to lay a few crews off. Most of them are back now, fortunately.

But when we make investments, we expect to get a return, we expect a level playing field. What we don't expect is to have to have those 100 people compete with governments. And we think that is totally unfair, and we encourage you and you colleagues, and I know you do this, to be vigilant in maintaining our trade laws and strident in ensuring their strong enforcement.

Mr. MURPHY. Thank you.

Now, the Steel Caucus has also led efforts to convince the International Trade Commission of antidumping and countervailing duties and positions, et cetera. I wonder if you could say, are you convinced that the ITC is slow to respond or unconvinced there has been an injury to domestic steelmakers?

Mr. SURMA. From our company's standpoint, yes, we think the system is terribly organized and terribly slow to respond. We operate in other regions. Almost every other region in the world—EU, Brazil, Russia, Canada, anywhere else—they are mostly administrative actions that are taken realtime when injury takes place. In our case, we have to prove either injury or threat of injury, which the ITC has, to their convenience, largely defined as a near-death condition.

And so several years ago when we had a trade case against Chinese OCTG imports, we had 10,000 people on layoff, and almost every plant in North America negligent was closed. They found that to be injury, and even that was a close call. My distinguished colleague here reports about a plant that was closed and was found not to be injury. That kind of logic escapes us.

And we think the system is such that the injury has to be so severe and so prolonged that it almost makes it too late when relief is actually provided. We would like to see a more accelerated process where injury can be determined earlier so we don't have to go to a near-death experience in order to receive relief.

Mr. MURPHY. Or death.

Mr. Harshman, I thank you also for being here. I want to ask a question about titanium, which is a critical element for jet planes, steel armor plate, et cetera, and that is why it is considered a specialty metal.

My understanding is the Commerce Department is considering a change in the foreign trade zones which would undermine domestic titanium manufacturing. And one of the conditions of a trade zone

is you can't unfairly import foreign goods to resell in America if there is an existing industry or provider here.

Can you comment about what would happen if the Foreign Trade Zone Board reversed precedent and allowed foreign-made titanium to be sold into the American commerce?

Mr. HARSHMAN. Well, currently the big non-U.S. Producers of titanium alloys, which are critical for not only commercial aerospace, but also for military applications, are VSMPO, which is a large Russian and essentially a state-owned enterprise in Russia; the Japanese; and emerging—an emerging competitive threat is in China.

And if the—the nature of the titanium industry in the U.S. Is really dependent upon the diversification of the markets. It is not only—the military spending could not support and sustain a titanium industry in the U.S., even though it is critical to the defense of the United States. So you need a viable commercial base, commercial aerospace, an industrial market. Titanium is used extensively in desal plants throughout the world, for example, in chemical processing plants. And all of that works together to make a viable U.S. industry of which there is really only three producers today in the U.S.

And what the—the change in some of the foreign trade zone laws that would permit the circumvention of the existing dumping duties that are on titanium being imported from those foreign locations into the U.S., if that were allowed to happen, we believe it would significantly weaken and dampen the profitability and the ability for the U.S. Titanium industry to grow.

Mr. MURPHY. And, Mr. Chairman, thank you again for holding this hearing, and to the ranking member as well, on behalf of the million-plus people in this country who are affected by steel manufacturing jobs. It is critically important, and it is a wise choice on your part to hold this hearing, for you and Ms. Schakowsky. Thank you.

Mr. TERRY. Thank you. Would you say that again?

That does conclude our question part. And, boy, I will tell you just what an honor to have the high level of steel industry here in this room today and participating in this. You have been very helpful. And we understand that steel is a foundational piece to our manufacturing in the United States, and we want to be helpful.

So with that, let us see. I have unanimous—well, I guess I will do the unanimous next.

Thank you. Oh, yes. Also, we all have additional questions that we will not be able to give today, but we will submit those to you in writing. We will ask you to respond as promptly as you can. And remember the Members that are still left here, that they have 10 working days to submit their questions.

And I ask unanimous consent to include in the record a statement of C. Davis Nelson on behalf of the Cold Finished Steel Bar Institute. It has been reviewed by the minority staff as well. So I ask unanimous consent. Not hearing any objection, so ordered. It will be submitted and accepted.\*

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\*This document was unavailable at the time of printing.



Mr. TERRY. And at this point we are finished. So thank you very much.

[Whereupon, at 11:54 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

June 11, 2013

Mr. Joe Carrabba  
President and CEO  
Cliffs Natural Resources  
200 Public Square, Suite 300  
Cleveland OH, 44144

Dear Mr. Carrabba,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Thursday, March 21, 2013 to testify at the hearing entitled "Our Nation of Builders: The Strength of Steel."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Wednesday, June 26, 2013. Your responses should be e-mailed to the Legislative Clerk in Word format at [Kirby.Howard@mail.house.gov](mailto:Kirby.Howard@mail.house.gov) and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry  
Chairman  
Subcommittee on Commerce,  
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
Attachment

Additional Questions for the Record

“Our Nation of Builders: The Strength of Steel”  
 Subcommittee on Commerce, Manufacturing, and Trade  
 March 21, 2013

Responses of Joseph A. Carrabba  
 Chairman, President and CEO, Cliffs Natural Resources Inc.  
 June 26, 2013

**The Honorable Lee Terry**

- 1. What is the U.S. steel industry’s manufacturing capacity today? What is the capacity utilization rate? How has that changed over time? What is China’s steel manufacturing capacity and utilization?**

The full manufacturing capacity for steel mills in the United States in 2013 is 124.8 million net (short) tons per year. Through April 2013, U.S. steel mills have produced 31,578,461 net tons of steel, which is a 7.7% decrease from the 34,215,789 net tons of steel produced during the same period last year. This translates to a current year-to-date (YTD) capacity utilization of 76.9%. Prior to the most recent recession, utilization rates were approximately 87% in each year from 2005 to 2007 before dropping to 52.4% in 2009. The rate then rebounded in 2010 to 70.4%, 74.4% in 2011 and 75.2% in 2012.

As for China, its steel production capacity according to the World Steel Association (WSA) is 959 million metric tons (1.057 billion net tons) in 2013. According to the WSA, in 2012, Chinese steel mills produced 716.5 million metric tons. There is no official capacity utilization released by the China Iron and Steel Association (CISA), but it is safe to say that the Chinese steel industry has over 200 million metric tons in excess capacity, which is twice the entire production of the United States industry.

**The Honorable Lee Terry**

- 2. How have recent developments in U.S. energy production affected the domestic iron and steel industry?**

The recent discovery and increased production of oil and natural gas from domestic shale formations has produced multiple benefits for the domestic steel industry. As a major consumer of energy, the steel industry has gained a competitive advantage from the affordable and reliable supply of natural gas created by increased production in recent years. At the same time, affordable natural gas is also presenting all steelmakers with new options for how to make their products more cost effectively, such as through the production of direct-reduced iron (DRI). Finally, the recent expansion in domestic energy production has expanded markets for steel pipe and tube products that are essential to the production and transmission of natural gas and oil. Taken together, increased production of shale-based oil and gas is leading to significant investments, plant expansions, and job creation in the United States.

**The Honorable Lee Terry**

- 3. You testified that Federal agencies are increasingly usurping the role State agencies should play in reducing environmental impacts. Please explain how this is manifesting and why you prefer to see the States' roles as dominant.**

The following is an example of how EPA usurped state authority in promulgating a Federal Implementation Plan for establishing taconite/iron ore industry Regional Haze reductions under the Clean Air Act:

A defining characteristic of the Regional Haze law is that states, not EPA, are the lead decision makers. In floor debate in 1977, Congress unequivocally said that states would have the authority to decide how much value to assign to an aesthetic benefit<sup>[i]</sup>, and the resulting language of the Clean Air Act reflects this fact.<sup>[ii]</sup> According to the D.C. Circuit, this “confirms that Congress intended the states to decide which sources impair visibility and what BART [Best Available Retrofit Technology] controls should apply to those sources.”<sup>[iii]</sup> Such discretion to states is notable given the Clean Air Act’s approach to other air quality programs. For public health air quality regulations created by the statute, like the National Ambient Air Quality Standards program, EPA sets nationwide emissions standards, regardless of cost, and then States must submit plans to meet these standards. For Regional Haze, by contrast, the Clean Air Act calls for states to determine both the emissions standard and the appropriate controls. Deference is given to the states in determining its BART state plans due to their close understanding of impacts on the economy and knowledge of industry technologies. EPA’s primary role in the Regional Haze program is to provide procedural and technical support.<sup>[iv]</sup>

During this first BART “look in” for Regional Haze, the states of Minnesota and Michigan, proposed state implementation plans (SIPs) to ensure progress to the 2064 goal. Despite the fact that the two states with iron ore facilities put forth SIPs that will keep the states on a glide path towards achieving the regional haze goals, U.S. EPA ignored careful and deliberate state (MN & MI) technology determinations defining BART as part of the their regional haze SIPs (MN and MI) by promulgating a Federal Implementation Plan (FIP) for the iron ore industry. This FIP, which was promulgated in the Federal Register on February 13, 2013, includes emissions limits that will require the industry to install a Nitrogen Oxide (NOx) technology called Low-NOx Burners (LNB) that is unproven on iron ore indurating furnaces.

In EPA’s rush to judgment, it did not do its homework. The proposed NOx and SO2 BART FIP fails to meet Clean Air Act requirements (feasibility, cost-effectiveness, visibility, energy/environmental impacts). Provisions of EPA’s FIP related to the taconite industry requires unproven NOx controls that costs hundreds of millions of dollars more, increasing GHG emissions and energy usage by up to 40%. The FIP is estimated to cost significantly more than the state’s plan (approximately \$400 million more) and air dispersion modeling predicts any investment in NOx emission reduction technology, if it was commercially available, would provide no perceptible difference in visibility and simultaneously increase greenhouse gas emissions and energy usage by up to 40%.

**The Honorable Lee Terry**

**4. What Federal agency have you found the most helpful to deal with as you grow your own business? What Federal agency have you found the least helpful?**

The U.S. Department of Transportation fulfills a critical mission by administering federal funds for the construction of transportation infrastructure projects. The competitiveness of the U.S. industrial economy is dependent upon America's reinvestment in roads, bridges, and waterways. Cliffs is a long-time supporter of the Buy America procurement preference for iron and steel used in federal aid transportation infrastructure projects. Buy America helps stimulate demand for U.S.-produced, iron, steel and critical steelmaking raw materials such as iron ore and metallurgical coal.

Furthermore, Cliffs supported the recent U.S. Department of Defense decision to again require steel and other specialty metals purchased by the military to be melted and finished in the United States. This decision helps ensure the maintenance of strategically important components of America's defense supply chain, including steel production as well as the mining and processing of critical minerals such as iron ore.

The Department of Interior's United States Geological Survey (U.S.G.S.) fulfills an important function in recording statistics and tracking developments related to strategically important U.S. mineral industries. In particular, Cliffs relies on the U.S.G.S. annual Mineral Commodities Summaries as a reliable source of information on domestic production of iron ore and related commodities.

Among the least helpful agencies are the U.S. Environmental Protection Agency (EPA) and the Mine Safety and Health Administration (MSHA). We find that EPA far too often imposes a top-down, one-size-fits-all regulatory approach instead of working with states and industry to seek positive environmental outcomes that preserve the competitiveness of industry. With regard to MSHA, the agency focuses a disproportionate amount of time and resources on enforcing standards that do not contribute to the most substantial injuries. Cliffs believes that MSHA should partner with industry to identify and mitigate the behaviors and conditions that most contribute to workplace incidents.

Lastly, the Export-Import Bank of the United States (Ex-Im Bank) has engaged in a pattern of support for foreign iron ore producers, to the detriment of the U.S. iron ore industry. Ex-Im Bank is currently considering an application to provide \$650 million in financing for a new 55 million metric ton per year Australian iron ore mine called "Roy Hill". This transaction would impart substantial injury on U.S. iron ore producers, in violation of Ex-Im Bank's congressionally authorized Charter. We respectfully urge Congress to closely monitor the economic impact of the Bank's transactions on U.S. businesses and to require greater transparency in Ex-Im Bank's economic impact procedure.

**The Honorable Lee Terry****5. Which U.S. regulations most hamper the industry's ability to be competitive internationally?**

The cumulative environmental regulatory pressure imposed upon the energy producers are affecting the industry's ability compete internationally, especially the numerous pending air and water regulations facing electric generating units (EGUs).

The taconite mining industry in Minnesota and Michigan are serviced by "small electric generating units (EGU's)" and the cost for complying with the numerous pending EPA regulations will be disproportionately higher than "large EGU's" and the downstream impacts will be disproportionate to small businesses and to the taconite mining industry served by these "small EGU's (<100 MW)". Minnesota Power provides 1/3 of their power capacity to the Minnesota taconite industry and the Wisconsin Energy (WE) Presque Isle Power Plant (PIPP) provides approximately 90% of the generating capacity to our Michigan operations in the U.P. We are anticipating a significant pass through rate increase in Michigan and Minnesota as these new environmental regulations are implemented, furthermore we are concerned with the grid reliably going forward, especially in the Michigan U.P. Cliffs is expecting electricity prices to increase approximately 36% by 2017 due to the impact of the environmental regulations to the small EGU's. Recent announcements to regulate carbon emissions from existing power plants will further drive up electricity prices. The power costs are passed along to the taconite industry, which further degrades the competitiveness of U.S. iron ore operations.

As detailed in the previous response, Cliffs has been substantially injured by Ex-Im Bank's systematic pattern of support for foreign iron ore producers. Cliffs' domestic iron ore mines strive to maintain global competitiveness, despite a challenging regulatory environment and ore grades that disadvantage domestic producers relative to competitors in countries such as Australia and Brazil. It is simply unacceptable that U.S. iron ore producers should be forced to compete against not only foreign governments, but also against financing guaranteed by the Export-Import Bank of the United States.

**The Honorable Jan Schakowsky**

1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry.

**The Honorable Jan Schakowsky**

- a. **Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?**

Cliffs currently has a limited number of open positions in the U.S. Based upon our workforce planning, we anticipate an increase in open positions in the next several years. In particular, we are always looking for, and will continue to seek, workers with electrical backgrounds – supervisors, planning, electronics and reliability.

**The Honorable Jan Schakowsky**

- b. Are you currently engaged in a partnership with any community or technical colleges in the United States – yes or no? If so, please list each institution with which you are working and explain the nature of the partnership.**

Yes. Cliffs is currently engaged in educational partnerships with the following institutions:

- Hibbing Community College (Minnesota)
- Mesabi Range Community and Technical College (Minnesota)
- Central Lakes College (Minnesota)
- Itasca Community College (Minnesota)
- Wisconsin Indianhead Technical College (Wisconsin)
- Northern Michigan University – Industrial Maintenance Program (Michigan)

Cliffs partners with these community colleges by periodically providing resources to fund the procurement of equipment (such as haul truck simulators) used in the training of current and future miners. In addition, Cliffs grants access to its U.S. iron ore facilities for training exercises conducted by skilled trade students. Cliffs hires many graduates from these community and technical colleges.

Cliffs supports Northern Michigan University's Industrial Maintenance Program by funding 12 scholarships per year for students through the local Science, Technology, Engineering and Mathematics educational coalition.

<sup>[1]</sup> The House and Senate versions of the 1977 Amendments to the Clean Air Act differed on the balance of federalism for the Regional Haze provision. In conference, members of Congress came to an agreement whereby states would have a distinctly high degree of primacy vis a vis EPA. Consider this floor exchange between Sens. James A. McClure (ID) and Edmund Muskie (ME):

Mr. McClure: "Under the conference agreement, does the State retain the sole authority for identification of sources for the purpose of visibility issues under this section?" Mr. Muskie: "Yes; the State, not [EPA] Administrator, identifies a source that may impair visibility and thereby falls within the requirement of [Regional Haze]." Mr. McClure: "And does this also hold true for determination of 'Best Available Retrofit Technology' [a primary control required by the Regional Haze program]?" Mr. Muskie: "Yes. Here again it is the State which determines what constitutes 'Best Available Retrofit Technology'..." See *Congressional Record*-1977-0804-26854.

<sup>[2]</sup> See 42 U.S.C. § 7491(b)(2)(A), which stipulates that states determine both which sources are subject to Best Available Retrofit Technology and what constitutes BART; see also id. At § 7491(A)(g)(2), which states that BART determinations can be made only after consideration of costs.

<sup>[3]</sup> *American Corn Growers Ass'n v. EPA*, 291 F.3d 1, 8 (D.C. Cir. 2002).

<sup>[4]</sup> See 42 U.S.C. § 7491 (a)(3), which calls for EPA to conduct a "report" on Regional Haze attribution and modeling; and § 7491(b)(1), which establishes that EPA must use the aforementioned report to inform "guidelines" on "appropriate techniques and methods" for states to use when making determinations for "Best Available Retrofit Technology."

FRED UPTON, MICHIGAN  
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA  
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (202) 225-2927  
Minority (202) 225-3841

June 11, 2013

Mr. John Ferriola  
President and CEO  
Nucor Corporation  
1915 Rexford Road  
Charlotte, NC 28211

Dear Mr. Ferriola,

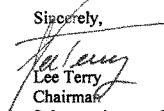
Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Thursday, March 21, 2013 to testify at the hearing entitled "Our Nation of Builders: The Strength of Steel."

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To facilitate the printing of the hearing record, please respond to these questions by the close of business on Wednesday, June 26, 2013. Your responses should be e-mailed to the Legislative Clerk in Word format at [Kirby.Howard@mail.house.gov](mailto:Kirby.Howard@mail.house.gov) and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Lee Terry  
Chairman  
Subcommittee on Commerce,  
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
Attachment



**The Honorable Lee Terry****1. You testified about the evasion and circumvention of antidumping (AD) and countervailing duties (CVD) by foreign exporters. Please describe the methods foreign exporters use to evade such trade sanctions.**

Foreign producers and exporters frequently circumvent and evade AD/CVD duties, and Chinese exporters especially have shown an unwillingness to abide by U.S. and international trade rules. Illegal schemes to avoid duty payment include the following:

- Transshipment. Foreign producers and exporters transship the product through a third country, sometimes repackaging or relabeling the product, and then use false documentation to identify the third country as the country of origin.
- Minor Alterations. Foreign producers change the merchandise in a minor way that does not affect its use, but which is sufficient to place the merchandise outside the scope of the relevant AD/CVD order or within a tariff classification not normally subject to the order. For example, Chinese steel producers have added trace amounts of boron to steel products, so that the merchandise can be entered as "alloy" rather than standard carbon steel, in order to avoid AD/CVD duties on carbon steel products.
- Misclassification. Exporters and importers misclassify the goods on entry documentation, claiming that they are a different product or that they are excluded from the scope of the AD/CVD orders.
- False Valuation. The exporters or importers of subject merchandise report a lower value than the actual value for merchandise, generally by providing a false invoice to U.S. Customs and Border Protection ("CBP") in order to lower the amount of AD/CVD duties assessed.
- False Reporting of Foreign Producer. Because antidumping duties vary with the identity of the manufacturer or exporter, importers have an incentive to pass off merchandise as the product of a manufacturer or exporter with a low dumping rate.

These schemes violate U.S. law and deny American industries the relief that the U.S. trade remedy laws are meant to provide. Evasion of AD/CVD orders causes continued harm to U.S. industries and workers, and deprives the U.S. Treasury of hundreds of millions of dollars in uncollected duties every year. Effective trade law enforcement, using every tool at our disposal, is essential to stop these unfair trade practices and level the playing field for U.S. steel producers and other U.S. manufacturers.

More information and examples of AD/CVD duty evasion can be found in Senator Ron Wyden's November 2010 report, "Duty Evasion: Harming U.S. Industry and American Workers" (available at <http://wyden.senate.gov/download/?id=ab312b37-d16b-495c-a103-c1887afb37af>).

**2. You testified that a number of foreign governments distort the steel market through export restrictions and subsidies that are in violation of international rules. Has the industry pursued trade actions?**

**a. If so, what is the status of US trade sanctions against such unfair trade practices?**

Yes. U.S. manufacturers have brought CVD cases to address the illegal and unfair subsidies provided to foreign producers by their governments. Since the U.S. Department of Commerce began applying the CVD law to China in 2006, the majority of CVD cases have involved China.

For example, in recent years, the U.S. steel industry has successfully brought CVD cases on carbon steel pipe, steel grating, and utility-scale wind towers from China, as well as carbon steel plate from Korea and India, and steel wire rod from Brazil. There are currently more than 25 U.S. CVD orders in place on products from China alone, an indication that the Chinese government continues to provide a broad range of subsidies to its industries. As discussed above, effective enforcement of these CVD orders is essential for the domestic industry to obtain the relief it was granted under the U.S. trade remedy laws.

While currency manipulation is likely the biggest subsidy the Chinese government provides to its exporters, the Department of Commerce currently does not investigate currency manipulation as a countervailable subsidy. Given the importance of addressing this unfair trade practice to U.S. industries, currency manipulation should be among the subsidies examined in the course of CVD investigations.

**b. Has the WTO provided any help in remedying these illegal practices?**

The United States has been successful in challenging unfair trade practices through the WTO dispute settlement system. For example, in 2009, the United States, together with the EU and Mexico, brought a WTO dispute settlement case against China's restraints on exports of bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, and zinc. In a strong victory for the United States and its partners, a WTO dispute settlement panel (later upheld by the WTO's Appellate Body) found in *China – Raw Materials* that China's imposition of export duties and quotas violate its WTO obligations, and China now appears to have taken several positive steps to comply with the WTO ruling, though this compliance will need to be carefully monitored.

Last year, the United States partnered with the EU and Japan to bring a similar complaint at the WTO regarding China's imposition of export restraints on rare earths, tungsten, and molybdenum. *China – Rare Earths* is still ongoing, and we are hopeful for a positive result in this case as well.

However, the WTO currently does not prohibit its Member countries from imposing export duties, unless the Member specifically agreed to do so upon its accession to the WTO. (For example, when China joined the WTO, it agreed to eliminate all export duties, except for those on a number of specifically identified products.) Export duties, such as those imposed by many countries on steelmaking raw materials and steel scrap, have significant market-distorting effects, and the WTO should negotiate new rules that discourage their use by Member countries.

**3. You testified that the surge in imports defies fundamentals. Please explain.**

From 2010 to 2012, steel imports increased by nearly 40 percent, including increases in every major product area and from most major steel producing countries. As I said in my testimony, this import surge defies market fundamentals, primarily because it has not tracked demand in the U.S. market. From 2010 to 2012, U.S. demand has risen by less than *half* the amount of the increase in imports – resulting in major oversupply in the U.S. market.

The U.S. steel industry is currently operating at capacity utilization rates of only about 75 percent, demonstrating the disconnect between the import surge and market needs. U.S. steel producers are capable of ramping up production to supply the market's needs, and they have a comparative advantage in serving the U.S. market (for reasons of proximity and other cost advantages described in answer four below). Simply put, not one ton of these imports has been needed, especially given the modest and fragile recovery of the U.S. economy.

The recent import surge has not been caused by market forces. Rather, structural imbalances in the global steel industry – caused largely by foreign government interventions in the industry – have resulted in huge levels of steel overcapacity worldwide. Foreign governments interfere in the steel market through their state-owned enterprises, import barriers, raw material export restrictions, and direct and indirect subsidies, in order to keep their “strategic” manufacturing industries afloat and growing. This government intervention has led to enormous steel overcapacity in many countries, including 200-300 million tons in China alone. As a result, producers in China and elsewhere turn to the large and open U.S. market to offload their excess steel, at the expense of the U.S. steel industry. In other words, the open U.S. market becomes a dumping ground for steel and steel-related products from around the world.

**4. You testified that U.S. steel producers are among the lowest cost producers in the world. Please explain why U.S. companies produce at a lower cost than other developed countries.**

According to many independent analysts of our industry, U.S. steel producers are today among the lowest-cost producers in the world, compared to both developed and developing countries. This cost advantage is due primarily to the U.S. industry's access to affordable capital, its advanced technology, its best-in-the-world labor productivity, and its access to abundant domestic raw materials and lower cost energy.

In contrast to many other major steel-producing countries, nearly 60 percent of U.S.-made steel is produced using electric arc furnaces (“EAF”), which use scrap metal or direct-reduced iron as inputs. EAF steel production is highly cost-efficient. Compare this to China where roughly 90 percent of the steel is produced using traditional basic oxygen furnaces (“BOF”), many of which are obsolete and not state-of-the-art. The higher percentage of EAF production as a percentage of total steel production in the United States helps to keep U.S. steel production costs, as well as emission levels, lower, as compared to China and much of the rest of the world.

In addition, U.S. steel producers have recently benefitted from low energy prices – a result of increased U.S. supplies of natural gas. As the cost of energy accounts for up to 40 percent of steel production costs, this is a key advantage for U.S. producers. Unlike China, Korea, Japan, Turkey and many other countries, the United States is also self-sufficient in its supplies of major steelmaking raw materials, including scrap, iron ore, and coking coal.

With these comparative advantages, U.S. steel producers are well-positioned to compete with any steel producer in the world, given a fair and open global playing field.

**5. Why is there so much excess steelmaking capacity in the global market? If capacity drives prices down, why aren’t producers leaving the market?**

The excess capacity in the global steel industry is largely a result of non-market forces – specifically, government intervention in the industry. Generally, in a competitive system, production and capacity will adjust to market signals, and the market should eventually eliminate excess capacity by driving prices down and causing inefficient producers to exit the industry. However, government intervention stops the market from regulating itself in this way.

China is a perfect example of this problem, as it is by far the worst offender in terms of government intervention in the steel industry. Its highly subsidized steel industry is largely government owned and controlled, with the Chinese government holding ownership interests in 18 of the 20 largest steel producers in China. For decades, the Chinese government has subsidized its steel industry with grants, preferential loans, debt-for-equity swaps, tax refunds, and other preferential policies. This government support has resulted in the growth of massive excess capacity in China, which some estimates place as high as 300 million tons.

Turkey is another prime example of a steel industry built with substantial amounts of government support. The Turkish steel industry has grown rapidly with the aid of government subsidies, jumping from the 17<sup>th</sup> largest steel-producing country in the world in 2000 to the 8<sup>th</sup> largest last year. Similarly, in India, the government – which owns at least 80 percent of the country’s largest steel producer – has encouraged the rapid growth of the steel industry through intervention and subsidies.

In addition to growing their industries through subsidization and ownership, governments worldwide also intervene in their steel industries to prevent obsolete capacity from closing,

for employment and other non-commercial reasons. This significantly contributes to and perpetuates the build-up in global overcapacity.

These examples show that growing levels of excess capacity in the global steel market are due largely to government subsidies and other intervention in steel industries around the world. This government intervention continues to create massive steel capacity worldwide and prevent much-needed capacity closures and reductions. To address this serious problem, first and foremost, government subsidies and other interference should be removed from the steel industry.

**6. If global trade in steel were on the same terms without tariffs or other distortions, could you compete with steel from other countries? What would be your comparative advantage? What actions do you want to see out of stronger trade enforcement?**

Yes, with a level and open playing field, the U.S. steel industry could successfully compete with steel from any other country. As noted above, we have comparative advantages in terms of proximity to the U.S. market, relatively low energy prices, a productive labor force, superior technology, and access to capital and raw materials. For Nucor specifically, with the nearly \$7 billion in capital investments we have made since 2008, we are especially well-positioned to compete – on fair terms – with any steel producer in the world.

Stronger trade policies and enforcement are necessary to attain the level playing field U.S. manufacturers need to compete fairly. As discussed above, enforcement of the U.S. trade remedy laws is essential to address market distortions caused by dumping and subsidies, combat trade violations, and provide U.S. industries with relief from unfair trade practices. In particular, Nucor supports bipartisan legislation to address evasion and circumvention of AD/CVD duties, such as the ENFORCE Act introduced by Representative Billy Long last year.

The U.S. government must also push for the elimination of various trade-distorting practices globally, including the removal of trade barriers overseas and the opening of closed markets in many countries. The new Interagency Trade Enforcement Center (“ITEC”) can be an important tool to identify and address these unfair foreign trade practices and barriers that adversely affect U.S. producers, including the U.S. steel industry.

One major trade-distorting practice with significant adverse effects for U.S. manufacturers is currency manipulation. In China, in particular, the government’s manipulation of its currency subsidizes every Chinese export, putting every U.S. producer (and all other producers) at a huge competitive disadvantage. For this reason, Nucor urges the U.S. Congress to pass legislation (such as the recently introduced Currency Exchange Rate Oversight Reform Act of 2013), which will put appropriate pressure on China to change its unfair currency practices.

Finally, the U.S. government should continue its efforts to impose disciplines on state-owned enterprises in our new trade agreements, including the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, in order to limit the market-distorting effects caused by these entities. Taken together, these steps will provide the trade policy

environment necessary for the United States to revitalize its manufacturing base and strengthen its economy – to once again be a nation that makes and builds things.

**The Honorable Jan Schakowsky**

**1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry.**

**a. Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?**

Nucor has multiple entry points including production, technical trades, and professional level positions. A challenge that we face in recruiting is the limited number of technical candidates available for positions such as Electricians, Mechanics, and Welders. On the professional side, we are facing a limited number of qualified Electrical and Mechanical Engineers, as well as Metallurgists.

Nucor averages about 1,000 openings per year across all the different functions. We currently have approximately 40 open electrical technician positions, 15 – 20 mechanical technician positions, and 6 – 10 metallurgical positions.

**b. Are you currently engaged in a partnership with any community or technical colleges in the United States – yes or no? If so, please list each institution with which you are working and explain the nature of the partnership.**

Nucor is currently engaged in partnerships with many community and technical colleges across the United States. We are partnering with the colleges below to recruit talent both in skilled technical trades and in entry level production. Nucor also partners and advises some of these community and technical colleges on curriculum and provides internship opportunities to the students. Nucor provides financial support to many of these institutions.

- Greenville Technical College (South Carolina)
- Southeast Arkansas Pine Bluff (Arkansas)
- Southwest Tennessee Community College (Tennessee)
- Texas State Technical College (Texas)
- Mid-South Community College (Tennessee)
- Northwest Arkansas Community College (Arkansas)
- Midlands Technical College (South Carolina)
- Florence Darlington Technical College (South Carolina)
- Calhoun Community College (Alabama)
- Bridgerland Applied Technology College (Utah)
- Northeast Community College (Nebraska)
- Ranken Technical College (Arkansas)

June 11, 2013

Mr. Ed Kurasz  
Executive Vice President  
Allied Tube and Conduit  
Atkore International  
16100 South Lathrop Avenue  
Harvey, Illinois 60426

Dear Mr. Kurasz,

Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Thursday, March 21, 2013 to testify at the hearing entitled "Our Nation of Builders: The Strength of Steel."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Lee Terry  
Chairman  
Subcommittee on Commerce,  
Manufacturing and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
Attachment

Additional Questions for the Record**The Honorable Jan Schakowsky**

1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry.

- a. **Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?**

Yes, particularly for earlier stage careerists in the Generation X, Y, and Millennial demographic groups, the demographic groups following the Baby Boom. Allied Tube & Conduit currently has open roles in Quality Assurance, Manufacturing Value Stream Management, Lean Manufacturing Specialists, Machinery Maintenance Supervisors, and Metals Procurement Analysts. Better training and knowledge of the U.S. steel industry is key to all of these roles, especially as retirement of Baby Boom workers becomes a more significant reality.

- b. **Are you currently engaged in a partnership with any community or technical colleges in the United States – yes or no? If so, please list each institution with which you are working and explain the nature of the partnership.**

No, Allied Tube & Conduit is not currently engaged in a partnership with local or technical colleges for salaried exempt positions. Allied Tube & Conduit would benefit from establishing these types of connections.



FRED UPTON, MICHIGAN  
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA  
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (2021) 225-2907  
Minority (2021) 225-3841

June 11, 2013

Mr. Richard Harshman  
Chairman, President and CEO  
Allegheny Technologies Incorporated  
1000 Six PPG Place  
Pittsburgh, PA 15222-5479

Dear Mr. Harshman,

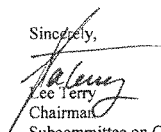
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Lee Terry  
Chairman

Subcommittee on Commerce,  
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
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Additional Questions for the Record

**The Honorable Lee Terry**

1. You testified that international sales are now 36 percent of your revenue. Do you face problems with exports to particular countries, either in the form of tariffs or non-tariff barriers?
2. You raised concern regarding a proposal by the Department of Commerce and the USTR to change the methodology of calculating antidumping margins. Please explain the genesis of this proposal and your concern with the change.
3. You testified that you opposed the DOE plan to release scrap metal from radiological sites into the market as "uncontaminated." Why do you believe DOE's plan is inappropriate?

**The Honorable Jan Schakowsky**

1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry.
  - a. Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?
  - b. Are you currently engaged in a partnership with any community or technical colleges in the United States – yes or no? If so, please list each institution with which you are working and explain the nature of the partnership.

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2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (2013) 279-2527  
Minority (2013) 226-3861

June 11, 2013

Mr. Mike Rehwinkel  
CEO  
Evraz North America  
200 East Randolph Drive, Suite 7800  
Chicago, IL 60601

Dear Mr. Rehwinkel,

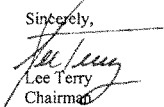
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“Our Nation of Builders: The Strength of Steel”  
Subcommittee on Commerce, Manufacturing, and Trade  
March 21, 2013

Responses of Mike Rehwinkel  
CEO, Evraz North America

Additional Questions for the Record

The Honorable Lee Terry

1. You testified that in order to be competitive in today's global market your industry needs a reasonable, streamlined regulatory approval process.

- a. Can you describe what is unreasonable or complex about today's regulatory approval process?

The ongoing development of multiple new environmental regulations put U.S. industries at a competitive disadvantage and endanger manufacturing jobs. Collaboration in the regulatory development process must take place to ensure adequate cost/benefit analysis, and greater transparency between industry, EPA and state agencies.

For example, the EPA is currently undertaking a number of actions in the air program for reviewing and strengthening National Ambient Air Quality Standards (NAAQS) for numerous criteria pollutants (SO<sub>2</sub>, NO<sub>2</sub>, PM<sub>2.5</sub>). This includes an unprecedented reliance on conservative modeling assumptions for decision-making instead of using actual monitoring data. This reliance on modeling results in the imposition of lower emission limits for major stationary sources, which in turn can result in more non-attainment designations for local jurisdictions, as well as more difficulty in obtaining facility permits. Many of these new regulations and their implementation processes will create permitting obstacles and delays for investment in new and renovated facilities and impose significant additional costs on domestic steel producers as well as other energy-intensive industries.

- b. You said that the process should meet the letter and spirit of the law. How is the spirit of the law not being met? By which agencies?

It's the delay in the regulatory process that I'm talking about. The Keystone pipeline is a prime example. To review a project that many times, cause it to reroute and then continue to hold it back for lack of decision is truly not meeting the spirit of the law. The decision should have been made four years ago, and it's still pending. This is clearly a good project that has been approved by the EPA twice. The delay has also caused significant increases in cost. It's a bad precedent and the law should be changed where it allows the agenda of special interest groups to circumvent the normal approval process.

- c. You said the process should be timely and provide a high degree of certainty that once all requirements are met the project can proceed. How “timely” is the average process? Do projects frequently fail to receive approval to proceed even though they meet all of the related requirements?

Keystone first submitted its application for the required Presidential permit in 2008. It has since been approved by the Department of State and 11 cooperating agencies, and Keystone has complied with all revisions including re-routing the pipeline in Nebraska. There has been rigorous environmental review and ample opportunity for public input and participation. The needs of the nation and special interests were both considered, and the Keystone Pipeline has now met all regulatory hurdles, including approval by the EPA for the second time. If this is an indication of timely approval, especially for those projects that have met round after round of investigation by the country's own “watchdog,” the EPA, then manufacturing in this country will no longer be competitive.

**2. What would a faster approval process mean for your business, jobs, and the economy?**

It would mean that more projects are approved and built. Delays cause good projects not to be built. Increased activity drives jobs and that drives additional economic activity.

**3. You testified that the permitting process is often weighed down by special interest groups and that regulations need to be well-defined in order to make the process work. Which regulations fall short on that front?**

Industry continues to face the "sue and settle" tactics of environmental non-government groups (NGOs). They sue the EPA and drive policy decisions based on the agency missing its statutory deadlines to act under various environmental statutes. One recent example of such a tactic that could directly affect the steel industry is a threatened suit seeking to set expedited timelines for EPA's residual risk and technology reviews for 46 categories of maximum achievable control technology (MACT) standards, several of which directly impact steel operations. Other general industry examples include expedited timelines for the Industrial Boiler MACT review, the lowered 2013 PM2.5 NAAQS standard and the ongoing Ozone NAAQS review.

**The Honorable Jan Schakowsky**

**1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry.**

**a. Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?**

Yes. The steel industry is built on highly skilled trades and technical functions. A few examples are engineering, electricians, millwrights, maintenance, equipment operators, lab scientists and technicians, metallurgists, project managers and supervisors. Since we purchased our Pueblo, Colo., mill in 2006, employment has increased 25% - and 25% of that site's employees are U.S. military veterans. We expect that number to rise even more in 2014 as we increase production based on the rail, steelmaking, and rod and bar upgrades we installed at Pueblo last year. In Portland, Ore., employment increased by about 10% in 2013, and there's a strong possibility it could increase by about the same rate in 2014.

**b. Are you currently engaged in a partnership with any community or technical colleges in the United States – yes or no? If so, please list each institution with which you are working and explain the nature of the partnership.**

Yes. In Pueblo, Colo., we work closely with the Pueblo Workforce Center (PWC - government agency) and Pueblo Community College. The PWC Pueblo Workforce Center provides recruiting, screening and testing of applicants, and identifies those with single trades craft and maintenance skills aptitude. The community college provides us with an apprenticeship program that includes customized classroom and on-site training and certificates of completion for participants.

In Portland, Ore., we have a similar situation. We use Portland Community College and its Continuous Learning for Individuals, Management and Business (CLIMB) program for manager and supervisor training. PCC also provides electrical and mechanical apprentice programs for us.

FRED UPTON, MICHIGAN  
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA  
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Map: H-1202 225-3127  
Mobility: (202) 225-3841

June 11, 2013

Mr. John P. Surma  
CEO  
United States Steel Corporation  
600 Grant Street  
Pittsburg, PA 15219

Dear Mr. Surma,

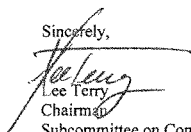
Thank you for appearing before the Subcommittee on Commerce, Manufacturing, and Trade on Thursday, March 21, 2013 to testify at the hearing entitled "Our Nation of Builders: The Strength of Steel."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Wednesday, June 26, 2013. Your responses should be e-mailed to the Legislative Clerk in Word format at [Kirby.Howard@mail.house.gov](mailto:Kirby.Howard@mail.house.gov) and mailed to Kirby Howard, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Lee Terry  
Chairman  
Subcommittee on Commerce,  
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
Attachment

Additional Questions for the Record**The Honorable Lee Terry**

1. You testified that falling natural gas prices in the US have reduced the cost of natural gas used per ton of steel to just \$25, versus \$75 in Europe.
  - a. What was the average cost prior to the recent natural gas boom here in the US?
  - b. Why is energy three times more expensive for European steel producers? How do our energy costs compare with countries from which we import steel?
2. You testified the energy market has been one of the few bright spots for your business since the recession. How much potential new business do you see in the coming years based on the U.S. energy boom? How could it be better?
3. What is your position on the Transpacific Partnership (TPP) negotiations? Are there any particular concerns you would like to highlight with a potential TPP agreement?
4. You referenced the incredible growth in South Korean exports to the U.S. in casing and tubing. Do you believe illegal activities are responsible? Can the TPP negotiations be used in a beneficial way to address this issue? Is this growth something that could or should be addressed in the TPP?
5. You testified that the long history of unfair trade in your sector leads you to believe that unfair practices such as dumping and subsidies are a principle cause to the import surge. Why are current trade measures inadequate if these activities violate current trade obligations?

**The Honorable Jan Schakowsky**

1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry.
  - a. Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?
  - b. Are you currently engaged in a partnership with any community or technical colleges in the United States – yes or no? If so, please list each institution with which you are working and explain the nature of the partnership.

FRED UPTON, MICHIGAN  
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA  
RANKING MEMBER

ONE HUNDRED THIRTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (202) 225-2927  
Minority (202) 225-3641

June 11, 2013

Mr. Mike Rippey  
President and CEO  
ArcelorMittal USA  
250 West U.S. Highway 12  
Burns Harbor, IN 46304-9745

Dear Mr. Rippey,

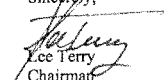
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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

  
Lee Terry  
Chairman  
Subcommittee on Commerce,  
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
Attachment



Additional Questions for the Record**The Honorable Lee Terry**

1. In your testimony you describe your “Steelworker for the Future” associate degree program.
  - a. What is the skills gap your industry faces – specifically, what skills are lacking?
  - b. Would you say the program has been a marketing success (as defined by interest in the program)? If so, how have you marketed the program?
  - c. How many enrollees (what percentage) complete the program and become full time employees?
  - d. What is the cost per student-trainee? Can this be replicated by other manufacturers?
  - e. Many businesses in other industries include some form of either formal or informal training for their employees, even for those employees holding college or graduate degrees. Do you see a difference between those businesses and manufacturers regarding the responsibility to train employees?
2. How do we change the attitudes or influence young people to want to enter the manufacturing field rather than design video games or become a stock broker?
3. You testified that the industry needs the government to “ferret out” the unfair trade practices engaged in by foreign competitors. Are current efforts lacking? If so, how?
4. You testified that your greatest competitors enjoy “extreme pro-investment and pro-export economic policies” of their governments. Can you describe these policies? Are any compatible with trade obligations? If so, are any of these policies something we should look to adopt?

**The Honorable Jan Schakowsky**

1. At the hearing on March 21, 2013, the Subcommittee discussed the importance of a well-educated workforce to the long-term success of the U.S. steel industry. In your opening statement, you said that “one of our highest priorities must be to identify, encourage, and train manufacturing workers in the future,” and discussed your company’s efforts to attract students to associate degree programs where they can learn valuable technical skills for use in manufacturing.
  - a. Does your company have any job openings right now that could be filled if the workers applying were better trained – yes or no? If so, what functions are represented among these job openings, and approximately how many current openings are there for each function?
  - b. Please list each community or technical college with which you are working and explain the nature of the partnership.
  - c. Please discuss in greater detail ArcelorMittal’s Steelworker for the Future program as well as the broader importance to your business of partnerships with U.S. community and technical colleges.

2. Climate change is the greatest challenge that humankind faces today. Countries all over the world – including both advanced and emerging economies – are increasingly taking meaningful steps to reduce carbon emissions. At the hearing, you discussed several steps your company and others in the steel industry have taken to help combat global warming, including emissions reductions in recent decades, improved industrial efficiency, and participation in the creation of new, lighter materials for cars. What current initiatives does ArcelorMittal undertake to address climate change?

FRED UPTON, MICHIGAN  
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA  
RANKING MEMBER

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Minority - (202) 226-3641

June 11, 2013

Ms. Yvette Pena Lopes  
Deputy Director  
BlueGreen Alliance  
1020 19th Street, N.W., Suite 600  
Washington, DC 20036

Dear Ms. Lopes,

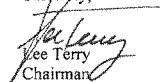
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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

  
Fred Upton  
Chairman  
Subcommittee on Commerce,  
Manufacturing, and Trade

cc: Jan Schakowsky, Ranking Member, Subcommittee on Commerce, Manufacturing, and Trade  
Attachment

July 1, 2014

**BLUEGREEN**  
ALLIANCE  
www.bluegreenalliance.org

2828 University Avenue SE, Suite 200  
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1020 19th Street NW, Suite 600  
Washington, D.C. 20036

330 Townsend Street, Suite 205  
San Francisco, CA 94107

U.S. House of Representatives  
Committee on Energy and Commerce  
Subcommittee on Commerce, Manufacturing and Trade  
2125 Rayburn House Office Building  
Washington, D.C. 20515

Att: Kirby Howard, Legislative Clerk

Dear Mr. Howard:

RE: BlueGreen Alliance Response to QFR

Thank you for inviting the BlueGreen Alliance to testify at the Subcommittee's Hearing "Our Nation of Builders: The Strength of Steel" on March 21, 2013.

Below is the BlueGreen Alliance's response to the Additional Questions for the Record posed by Representative Jan Schakowsky.

Additional Questions for the Record

The Honorable Jan Schakowsky

1. Climate change is the greatest challenge that humankind faces today. Please discuss the importance of reducing carbon emissions in the manufacturing sector and describe the opportunities available to manufacturing industries and workers in a cleaner economy.

BlueGreen Alliance Response:

Climate change threatens our economy, our public health and our way of life. By contrast, leadership in developing, manufacturing and deploying the next generation of clean and advanced energy and transportation equipment holds out the promise not only to deeply cut the pollution that causes climate change, but also to revive the US

BLUEGREEN ALLIANCE PARTNER ORGANIZATIONS



U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON ENERGY AND COMMERCE  
2012-2013

manufacturing sector. BGA has discussed the opportunities for the manufacturing and steel industries to build jobs and global competitiveness across emerging clean energy, transportation, and infrastructure sectors in a series of reports including Gearing Up<sup>1</sup> (on the automotive sector), Make it in America,<sup>2</sup> Winds of Change<sup>3</sup> and Building the Clean Energy Assembly Line.<sup>4</sup>

In addition, through their own operations, manufacturers can help combat climate change directly and minimize the impact of changing climate on our communities, while simultaneously decreasing their costs and revitalizing the U.S. manufacturing sector.

Unlocking the potential of industrial energy efficiency and clean energy usage in the manufacturing sector will not only significantly decrease carbon dioxide emissions, but save companies billions in annual energy costs. Some leading U.S. industrial manufacturing facilities are already taking advantage of the huge savings that energy efficiency improvements can provide to their bottom lines. These investments are adding value to their companies, freeing up capital that would otherwise be spent on energy inputs, preserving existing jobs, and creating new jobs in the construction and retrofitting of their facilities. By decreasing energy demand, these facilities are also decreasing exposure to energy price fluctuations, a significant concern in energy-intensive, trade-exposed industries.

While industrial efficiency and clean energy projects save money over time, they may require a significant up-front investment. We can help these projects clear the financing hurdle by improving tax policy and providing strategic financial support for projects through low-interest loans, direct grants, and other mechanisms.

Increased energy and process efficiency is also an important part of boosting productivity and increasing the competitiveness of our manufacturing and supply chains in the U.S. In order to ensure that industries have the most productive processes and equipment available, we need to continue to build robust research, development, and deployment partnerships among the federal, state, and local governments, industry, and other experts. This means supporting and fully funding programs such as the Department of Energy's Advanced Manufacturing Office. The BlueGreen Alliance's Platform on Industrial Efficiency policy brief<sup>5</sup> delineates policy recommendations to ensure comprehensive implementation of energy efficiency projects.

<sup>1</sup> McCulloch, R., et al. (June, 2012). "Gearing Up: Smart Standards Create Good Jobs Building Cleaner Cars." BlueGreen Alliance and American Council for an Energy Efficient Economy.

<sup>2</sup> Lombardozzi, B., et al. (October 2010). "Make it in America: The Apollo Clean Transportation Manufacturing Action Plan" Apollo Alliance.

<sup>3</sup> American Wind Energy Association, BlueGreen Alliance and United Steelworkers (June 2010). "Winds of Change: A Manufacturing Blueprint for the Wind Industry."

<sup>4</sup> Foster, D., et al (November 2009). "Building the Clean Energy Assembly Line: How Renewable Energy can Revitalize U.S. Manufacturing and the American Middle Class" BlueGreen Alliance.

<sup>5</sup> BlueGreen Alliance. (August 2013). "Policy Brief: Platform on Industrial Efficiency."

2. With increased automation in the manufacturing sector, today's jobs in steelmaking facilities often require more technical expertise than in years past. As the Subcommittee discussed at the hearing on March 21, 2013, the U.S. steel industry's competitiveness depends on a well-educated workforce capable of meeting future technical challenges. What types of initiatives do you believe will help ensure that the U.S. steel industry has the highly-educated and/or technically-skilled workers it needs to be globally competitive in the long term, and what benefits do you believe these initiatives could have for workers themselves?

BlueGreen Alliance Response:

There are several initiatives that would help ensure that the US steel industry has the highly-educated workers needed to be globally competitive in the long term. A significant example is the ArcelorMittal "Steelworkers for the Future" program<sup>6</sup> that the United Steelworkers support supports. The program is a partnership with regional two year technical schools to provide the resources necessary to ensure the next generation of steelworkers. Any initiative designed to assist manufacturers should have labor participation as well. Programs should be designed to fill regional needs and tailored to the requirements of each facility. Partnership among education, labor and manufacturers through joint committees will provide significant gains to ensure future steelworkers are properly prepared.

Please don't hesitate to contact us if you have additional questions on this or similar matters.

Sincerely,

Susan M. Green  
Legislative Director

<sup>6</sup> ArcelorMittal (n.d.). "Skills + Boldness = Steelworker for the Future."