

Statement of Louis Schorsch
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Congressional Steel Caucus
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Chairman Murphy, Vice Chairman Visclosky, and Members of the Congressional Steel Caucus, I am Lou Schorsch, President and CEO of ArcelorMittal Flat Carbon Americas. I want to again thank you for the opportunity to appear today to discuss the state of the American steel industry.

I want to first thank each of you for the leadership and support that you have given our industry and its tens of thousands of employees during a difficult time. At a time when Congress is often criticized for its failure to address in a bipartisan way the difficult issues facing our nation, the Congressional Steel Caucus has always been an organization built on bipartisanship and focused on solutions, which helps explain the successes that you have achieved over the years.

In considering the state of our industry since the last time we gathered together, let me use a medical analogy. Overall, we may be off the critical list, but our industry still remains in serious condition, threatened by the twin diseases of a still-weak economy and unfair competition from abroad. And we will only be discharged permanently from the hospital when our customers are healthy, American manufacturing is growing not declining, and we are free of unfair trade practices by our competitors.

In the depths of the Great Recession our industry found itself operating at a capacity utilization rate of about 35%. Today, that number is approximately 75%--much better but still short of what any of us would consider prosperous.

In the end, the health of our industry depends in large measure on the health of our customers. Those customers, in most cases, are other manufacturers. In fact, steel is a component in about 85% of all manufactured goods. We continue to see erosion in the percentage of GDP devoted to manufacturing and therefore in our customer base. Manufacturing now represents about 13% of GDP as compared to 25% in the early 1980s. Lest anyone claim that this is a natural or even positive development, as we transition towards a service-based economy, it is worth pointing out that, according to the White House Office of Science and Technology, the manufacturing sector accounts for 20.5% of GDP in Germany, which has a substantial trade surplus as well as a low unemployment rate. In China, manufacturing represents over 33% of GDP.

In some sectors, such as autos and capital equipment, we are seeing an encouraging rebound from very low demand. Yet in other sectors, particularly the broad and fundamental construction market, including public infrastructure, demand continues to be severely depressed. Ominously, April's Architectural Billing Index fell below 50 for the first time in four months, indicating declining future activity in non-residential

construction. Since the construction segment typically consumes about a third of steel production, the persistent crisis in this sector represents both a severe drag on the steel industry's performance and a continued threat to our nation's economic recovery.

Against that background, I want to especially highlight the need for greater infrastructure investment in this country and for the creation of additional dedicated revenue sources for such investment. I do so not only as a steel executive, but as a citizen. For decades, we have allowed our infrastructure investment levels to fall far below our needs or even below replacement costs. Regardless of whether we talk about highways, bridges, rail and transit, shipping, or water and sewer – all are deteriorating apart at an alarming rate. In 2009, the American Society of Civil Engineers gave our Nation's infrastructure a "D" grade. Common sense tells us all that things have not gotten better over the last two years.

The steel industry is both a supplier to infrastructure construction and a major user of that same infrastructure. Every day our costs are climbing and our efficiencies declining, because of the failure of this nation to do what must be done to return our infrastructure to world-class levels. We are living off the public investments made a century or more ago by far sighted people, but we are rapidly reaching the point in this country where that "borrowing from the past" policy will no longer work.

We have historically paid for most surface transportation investments through the gas tax. I am told that it is unlikely that the Congress will raise the gas tax any time in the foreseeable future. If so, then we need to find creative new ways to meet what has become a pressing national priority. We urge the Administration and Congress, working together, to enact as soon as possible a long term infrastructure bill, based on the national level of need, with new and dedicated sources of revenue which are not subject to the vagaries of the yearly appropriations process. Further, priority must be given to projects of national significance that create jobs, rather than "nice to do" ideas.

One innovative revenue proposal is the legislation authored by Chairman Murphy and others, the Infrastructure Jobs and Energy Independence Act, which would open new areas for oil and gas exploration and use the resulting royalties and other revenues for a variety of needed public investments, including federal and state highway and highway safety construction programs, water resources development construction projects, mass transit programs, freight rail and passenger rail construction. While it won't solve all of our needs, estimated by some in excess of \$2 trillion, it nonetheless is a bold proposal that will expand domestic energy, create substantial new demand for steel products, and fund vital projects. The industry supports your legislation, Mr. Chairman, and hopes that others in the Administration and the Congress join you in the work to find additional sources of funding for America's crumbling infrastructure, both for the short and long term.

In addition to a stronger economy and more public investment, our overall health continues to depend on the robust and aggressive enforcement of existing trade laws. My company, ArcelorMittal, is a global producer of steel, so we see more clearly than most

that our future prosperity depends on a strong, well-regulated, rules-based global trading system. Yet we still see foreign competitors using unfair government subsidies to gain advantage in the U.S. market. We appreciate the support that many of you have given our industry as we defend ourselves against such unfair practices by pursuing existing remedies at the Department of Commerce, International Trade Commission, and USTR.

We are particularly concerned about the growing customs fraud and duty circumvention practiced by some nations, and we urge the Caucus to focus attention on these damaging practices. There is evidence of agents in foreign countries actually advertising to producers techniques for circumventing U.S. laws, or nations such as China making modest changes to product composition in order to avoid duties. It is critical that the Customs Service respond effectively to these challenges. We stand ready to work with you, other members of the Congress, and the Administration to improve border protections and to stop the circumvention of our laws.

Mr. Chairman, thank you for again convening the Caucus to discuss issues facing our industry, and I look forward to our dialogue this morning.