



Testimony of

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before the

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of the

House of Representatives

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Chairman Lamb, co-chairs Crawford and Bost, thank you for the opportunity to testify at this year's steel caucus hearing; my name is Tom Conway and I am the International President of the United Steelworkers (USW). The USW is the largest manufacturing union in North America and the single largest union representing workers throughout the steel industry in the U.S.

As we look at the state of steel today there are many challenges and opportunities that our union faces. By some metrics the steel industry is strong, however there are not only signs of weakness, but also looming threats that must be addressed to ensure we best prepare the industry, its workers and, indeed, our country, for the future. I will focus my remarks on how we respond to global actions in the steel industry and encourage domestic demand. It is also critically important to our union to ensure U.S. workers can benefit in this market by providing ways for workers to fairly represent themselves through collective bargaining.

On the positive side, imports are down, domestic steel investment is up, and U.S. workers are producing almost 10 million more tons of steel than in 2015. However, when compared to 2014 tonnage, we are producing roughly two million tons less.¹ While the U.S. has reduced foreign imports in a stable demand environment, the lack of demand growth in steel means we are not maximizing our country's potential to produce U.S. steel for domestic purposes. The industry is nearing sustainable operating capacity numbers, but profitability is down as the global economy and lack of demand catch up to the near-term relief that the 232 tariffs provided. And, that relief has been in question as confidence in the President's consistent application of the provisions remains uncertain. Press accounts of potential deals for Brazil, Argentina, and other countries raise constant alarm, and threats of Congressional action to limit 232 authority also raise concerns and undermine new investments.

Much like the isolationist arguments in World War II that our country had two oceans separating us and the rest of the world, we cannot let 232's tariffs be our only defense against predatory practices and overcapacity in steel making. The OECD steel committee continues to highlight that there are over 400 million tons of excess steel capacity globally. We need to work with our allies to secure multi-lateral disciplines to reduce steel overcapacity and sanction bad actors. Without firm commitments in the international arena, it is impossible to see a decline of tariffs without significant steel job loss here in the U.S. Steel remains vital to our economy and our national security and we must remain vigilant and committed to its future.

¹ <https://www.steel.org/~media/Files/AISI/Press%20Releases/2016/SHIP%201512.pdf?la=en>

A promising factor regarding how we address fair market access is through the bi-partisan U.S.-Mexico-Canada trade agreement (USMCA). The inclusion of provisions requiring that 70 percent of steel in vehicles must originate in North America to qualify for preferences under the agreement should help ensure that we do not see foreign steel undercut the benefits of free trade agreements and cause unnecessary job loss. Labor, working with Democrats, was able to address a loophole in the originally-drafted rules that would have allowed Chinese and other foreign-produced carbon steel slabs imported into North America, transformed into sheet to count as originating under the agreement. But the loophole exists during a 7-year transition period.

Plants are seeing significant investment and, as can be seen in news articles, the industry is using relief from dumped and subsidized imports to modernize. There are a number of examples like the U.S. Steel Fairfield works facility in Alabama which is scheduled to start up its electric arc furnace (EAF) later this year. The project was set aside in 2015 because of unfavorable market conditions, but the announced investment will bring back work for roughly 150 workers and restart melt shop production at the facility again. ArcelorMittal USA pledged in our 2017 contract to invest at least \$3.1 billion over the next four years. The technological advancements and improvements at these facilities often mean less man hours, and the U.S. Steel Mon Valley investment is a prime example. Currently, it typically takes four days to build a coil of steel. The continuous caster facility technology is going to result in that coil of steel being produced in four minutes. Investments will maintain steel production into the future, but also highlights a recurring issue as these facilities become more efficient and require fewer workers to produce the same amount of steel. Less workers means near term impacts of layoffs and impacted workers will need assistance in job training.

These workers cannot be cast aside like equipment. Lawmakers must work with labor to ensure a strong and vital manufacturing workforce for our current and future economies. We have to ensure workers impacted by technological advancement have every opportunity to succeed. There has to be a federal role instead of letting workers drift into a job training program that is the lowest funded out of the OECD countries as a percentage of GDP.²

The industry must also invest in technologies to reduce emissions and combat climate change in this country. The Green Steel for Europe project is just one of many multi-stakeholder drivers ensuring that the steel industry rejects a race to the bottom

² <https://www.oecd.org/unitedstates/back-to-work-united-states-9789264266513-en.htm>

on the environment.³ Many of the companies on this panel are making significant investments in breakthrough technologies in Europe to help achieve a carbon-neutral Europe by 2050. For example, ArcelorMittal has a partnership with Lanzatech in Ghent, Belgium to create bio-ethanol from waste gases.⁴ Policymakers and steel companies must collaborate in this country to overcome technological and economic challenges and ensure that the U.S. industry is not left behind as global demand for cleaner products grows.

This is about demand as much as it about ensuring fair trade. The U.S. industry needs consistent strong demand to ensure long term capital investment and profitability. There are many pathways to increasing domestic steel demand. How the federal government encourages that demand will be a defining challenge for this and future Congresses.

It is unfortunate that for all the rhetoric about the need to improve domestic infrastructure there has been a continued stumbling off the blocks by Congress and the Administration on how to deal with the hundreds of billions in deferred maintenance. We've seen positive movement with the recent Moving Forward Framework put forth by Chairs of three U.S. House Committees. Our Union is hopeful that Congress will reassert a much-needed federal role in infrastructure investment. The \$760 billion investment plan, if enacted, could spur 10 million jobs, including domestic steel jobs through Buy America provisions, while reducing greenhouse gases and improving economic activity.

We are also closely watching the Senate Environment and Public Works (EPW) Committee process on a surface transportation bill with the \$287 billion highway bill's approval last summer. The bill authorizes roughly a 25% increase in funding over current levels and includes significant policy shifts towards addressing climate change.⁵

Demand can come in a variety of ways. Besides investment in our surface transportation infrastructure, our country should also look at our merchant shipping fleet as an opportunity to grow jobs here in the U.S. and strengthen our national security. For example, strong Jones fleet provisions are ensuring the first "Laker" in 35 years is being constructed in Sturgeon Bay, Wisconsin. The Great Lakes vessel is

³ <https://www.estep.eu/press-releases/green-steel-for-europe-project-a-pillar-of-the-transition-towards-european-steel-industry-carbon-neutrality/>

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https://corporate.arcelormittal.com/~media/Files/A/ArcelorMittal/investors/corporate/AM_ClimateActionReport_1.pdf

⁵ <https://www.jdsupra.com/legalnews/dude-where-s-my-infrastructure-funding-15754/>

scheduled for completion in the middle of 2022, and it will provide employment for 700 shipyard workers, along with new business for the yard's contractors and suppliers. Major vendors and partners include ABS, EMD, Caterpillar, Lufkin and MacGregor.⁶ Commissioned by the Interlake Steamship Company, the future 639-foot freighter will be capable of carrying 28,000 gross tons of cargo.⁷ ArcelorMittal Burns Harbor in East Chicago, Indiana is the main supplier of steel for the facility along with Iron Ore from the Minnesota iron range, all of whom are Steelworkers' members.

The number of U.S. flagged vessels sailing in international trade waters has crashed from 183 ships in 1992 to 82 as of December 2017. The impacts on U.S. manufacturers up and down the supply chain who would have produced the steel, parts, and materials for merchant marine ships has been devastating, as has the impact on our capacity for sea-lift, in potential time of crisis or challenge. That is why the USW has been supportive of H.R. 3829, the Energizing American Shipbuilding Act of 2019. This bipartisan, bicameral legislation would support the domestic shipbuilding industrial base. The legislation would require that vessels built in the U.S. transport 15 percent of total seaborne LNG exports by 2041 and 10 percent of total seaborne crude oil exports by 2033. If enacted, the bill is expected to spur the construction of dozens of ships, supporting thousands of good paying jobs in American shipyards, as well as domestic vessel component manufacturing and maritime industries.⁸ If we are going to share our energy resources with the world, our workers need to share in the benefits by providing the materials needed for transport of these vital commodities.

Finally, as we prepare for the next decade and see income inequality continue to rise, it is vital that workers in the domestic steel industry have access to bargaining power to ensure a strong middle class. The gains bargained to make steel-making jobs good paying and high benefit ones were established through collective bargaining. We strongly urge both sides of the aisle to see the power of a strong middle class by improving workplace cooperation through a union. As the largest union in the steel industry we will not sit on our laurels and we need to ensure workers have a fair chance to choose union representation at every steel facility. That is why we applaud the House passage of H.R. 2474, the PRO Act. Modernizing our labor laws will allow for better worker participation and will aid in ensuring that the strong labor-management partnership in the steel industry continues.

⁶ <https://www.maritime-executive.com/article/interlake-cuts-steel-for-first-new-american-laker-in-35-years>

⁷ <https://www.duluthnewtribune.com/business/energy-and-mining/4773139-Iron-Range-ore-used-in-steel-for-new-laker>

⁸ <https://americanmanufacturing.org/blog/entry/new-bill-aims-to-revive-americas-nearly-nonexistent-shipbuilding-industry>