TESTIMONY OF PAUL A. MCGRATH
Congressional Steel Caucus Hearing June 16, 2009
2362 Rayburn House Office Building

Testimony
I am Paul A. McGrath, Vice President of Administration and General Counsel of Universal Stainless & Alloy Products, Inc.

First, let me thank Congressman Peter J. Visclosky (D Indiana), Chairman of the Congressional Steel Caucus and Congressman Tim Murphy (R-Pennsylvania), Vice Chairman of the Caucus, and the other members of the Caucus for allowing me to testify today and for the work that you do on behalf of the steel industry in the United States.

Universal Stainless is a specialty steel producer with facilities in Pennsylvania and New York, serving the aerospace, power generation, petrochemical and heavy equipment manufacturing industries.

While the specialty steel industry may have some specific issues and concerns regarding how we can achieve stabilization in our segment, we share the general concerns with the basic steel industry in the United States.

We believe that the manufacturing sector of the country is the backbone and steel is a vital product that supports the other manufacturing industries, the country’s infrastructure and our national defense. As with all industries, a company cannot survive without demand for the products that it produces. Universal has experienced a 40 to 60% decline in demand for certain products in the last nine months. Universal is now experiencing layoffs on a larger scale than we ever have in the past. Currently we have reduced our overall employment by as much as 15% and some retained employees are working reduced work weeks.

The steel industry is challenged by these difficult times even in light of the bankruptcies and consolidation that occurred in the late 1990’s and early 2000’s.
Along with the current economic crisis the steel industry has faced additional challenges regarding environmental compliance standards that have increased operating costs and increased energy costs that affect our competitive position on a global scale. The industry has stood up and faced those challenges. Through innovation the industry has reduced the amount of energy needed to produce a ton of steel by one third. There is a cost incentive to accomplish this type of improvement but one direct benefit is the reduction of emissions that the additional energy would have caused.

You all know the issues that I am speaking of so let me get back to what I believe we need to do to stabilize the steel industry in this country.

We need to make sure that the domestic steel industry is competing on a level playing field by making sure that our foreign competitors are not dumping excess steel, that the steel is not being produced with government subsidies that put the U.S. companies at a disadvantage, and that the foreign countries are not regulating their currencies to give the companies an unfair advantage.

We need to ensure that there will be enough demand for our products so that the domestic industry can survive and compete, otherwise we will be dependent on foreign steel the same way that we are dependent on foreign oil. We should not have to worry as to what our foreign relationships are during a time of crisis to get the oil or the steel that we may need. We should not have to rely on a foreign country to boost production to help us control the price of oil or steel.

I believe that a comprehensive energy program can provide the steel industry and the country with multiple benefits including stabilization for some period.

First, an energy policy with government assistance can put many people in the steel industry and other industries back to work. Putting the American workers back to work relieves the government of providing public assistance for the unemployed. The workers will earn the money that they need to meet their basic needs and to have funds for discretionary spending that will filter into the communities and drive the economy upwards.
Getting people into productive jobs is the key. The steel industry cannot support the employees if the demand is not there.

We need a source of demand and if the government wants to help the steel industry it can do so in a way that helps the American taxpayer.

We as a country need to have less dependence on foreign energy sources.

We need to have a cleaner environment.

By investing in the comprehensive clean energy plan we can replace outdated dirty generation plants. We can build clean energy plants; invest in new sources of energy and the technology to make it clean and affordable.

The companies that use the energy will be able to pay for it if they are profitable and the individuals who are employed in meaningful jobs will be consumers who will contribute to the overall economy.

Additional regulations such as Cap & Trade will only continue to stifle the economy and make it more difficult for certain industries, including basic steel and specialty steel manufacturing to compete with foreign competition that does not have such restrictions.

We are not asking for a handout. We are asking that if you believe that the steel industry is important to the nation’s economy, the other industries that it supports, the national infrastructure and national defense then you will see that the industry needs some stabilization in order to survive and provide the materials that are critical to these areas.

I feel strongly that you can help to stabilize the steel industry, reduce the country’s dependence on foreign oil and provide for a cleaner environment, all by focusing on a comprehensive energy plan that will permit accessibility and usage of domestic energy sources, provide the technology to produce cleaner traditional energy and affordable alternative energy sources. A comprehensive energy plan can provide funding that will ultimately allow for the generation of revenues that will more than offset the funding costs. The plan will create the basis for a
domestic economy while providing the stabilization needed in the steel industry as well as other industries.

Thank you again for allowing me to address the caucus today.

_______________________________________

Bio
Paul A. McGrath is Vice President of Administration, General Counsel and Corporate Secretary of Universal Stainless & Alloy Products, Inc. Mr. McGrath started his career with Universal Stainless in February 1995 as Director of Employee Relations and General Counsel. He was appointed Corporate Secretary in May of 1996. Mr. McGrath served as Vice President of Operations from 2001 through 2006 when he assumed the position of Vice President of Administration.

Mr. McGrath spent 24 years with Westinghouse Electric Corporation in various positions serving the power generation and steel industries.

Mr. McGrath graduated cum laude from Kean College of New Jersey with a BS in Management Science and received his JD from the University of Bridgeport School of Law. Mr. McGrath is a member of the Pennsylvania and the Connecticut Bar.