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Congressional Steel Caucus
State of the Steel Industry Hearing
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Thank you, Chairman Visclosky and Vice-Chair Murphy for convening today’s hearing.

We appreciate your leadership of this important Caucus, which has been supportive in steel’s resurgence over the past few years.

My name is Jim Wainscott. I am the Chairman, President and CEO of AK Steel Corporation and the current Chairman of the American Iron and Steel Institute.

As a native Hoosier from the northwest corner of Indiana, I am honored to be here with you, Mr. Chairman – and with all of the members of the Steel Caucus – to offer a few comments on state of the steel industry.

On behalf of the American Iron and Steel Institute, I am pleased to present you with our Report to the 111th Congress that highlights AISI’s public policy priorities.

While my colleagues will discuss each of our priorities in greater detail in a moment, I would summarize for you that they fall into the following categories:

- Trade,
- Climate change,
- Energy,
- Transportation, and
- Infrastructure

However, this list takes a back seat to another subject; the most severe economic downturn that any of us can recall.

While we have experienced the inevitable up and down cycles of the steel business in the past, the United States finds itself in the vortex of a turbulent storm. The steel sector, like just about every other sector of the economy, is being battered and tossed about by very weak demand.

It is nothing new for the steel industry to face tough times and big challenges. Certainly veteran members of this Caucus, and all of those Members of Congress who represent steelmaking in their states, have heard some version of this story before.
Yet, this particular economic storm is different.

Following the blue skies and sunshine of the first three quarters of 2008, dark storm clouds formed rapidly. What started out as a thunderstorm has now grown into the equivalent of a category five tornado!

In other words, steelmakers find themselves in the midst of a very severe downturn.

If it were not for the actions taken by management and labor leaders to position the industry to withstand this type of event, I suppose we might be talking about another round of industry restructurings.

Change did not come easily for all of the industry survivors. But, the fact is that our industry has already gone through the pains that some manufacturers are just now experiencing.

Between 1998 and 2003, America’s steel industry strengthened from within through extensive consolidation, restructuring and capital investment.

As a result, we are leaner, more efficient, and more resilient. The new business model that emerged is one that has enabled us to compete effectively with fairly traded steel in the global marketplace.

Industry consolidation has ushered in lean management teams that match the efficiencies of new labor agreements that collapsed hundreds of job classes into a handful, while giving men and women on the shop floor new skills, more authority, and increased earnings potential.

Both management and labor recognized the certain demise of our industry unless meaningful changes were made to the decades-old traditions of unlimited and free health care and pension obligations that put company’s futures at risk.

Our companies have also invested in technology to become more efficient – cutting energy usage by one-third.

Yet, despite all of our progress, today, we find ourselves operating our companies at between 40% and 50% of capacity, as compared to 90% of capacity just six months ago.

Reacting to the decline in order intake rates, each of us has made independent decisions regarding idling our production facilities. And, as we have adjusted production, we have been forced to alter the size of our salaried and hourly workforces.

This is a painful time for our employees and their families who have joined the swollen ranks of laid-off workers across the country.
Let me assure you that we want nothing more than to recall those employees, restart our furnaces and return to doing what we do best – safely and efficiently producing the highest quality steels, with the highest productivity rates in the world.

But, while we are ready to make more of the world’s finest steel, we can only do so if our customers buy more steel.

And that, ladies and gentlemen, depends on two things:

- What the consumer does, and
- What you do in Washington

Unless consumers believe they will have jobs and access to credit, they are not going to buy things – certainly not big ticket items such as houses, cars and appliances.

But, if we put people back to work, restore their confidence and provide available credit to make purchases, this economy can begin to turn around.

In addition, the infrastructure spending bill can create meaningful opportunities for the steel sector – whether it’s roads, bridges, schools, energy-related expenditures or transportation needs. It would all help and the sooner the better!

At a time when economic recovery is the nation’s leading priority, rebuilding and revitalizing America’s manufacturing sector is essential.

That is because U.S. manufacturing is the engine that drives America’s economy and the global marketplace. Let’s resurrect the pride in the label, “Made In America.”

In a moment, you will hear more about the stimulus legislation from my colleagues, but I would like to close with this thought:

If we are going to spend trillions of our tax dollars to support U.S. banks, and build roads and bridges and schools across our great land, then we ought to make absolutely certain that the wages associated with that activity are paid to American workers.

Thank you very much.

I would be happy to take any questions following the conclusion of the others’ remarks.