Operator: Good morning. My name is (Janelle) and I will be your conference operator. At this time I would like to welcome everyone to the AISI 2012 Public Policy Agenda briefing. All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad.

If you would like to withdraw your question, please press the pound key. I would now like to turn the conference over to Mr. John Surma, Chairman of the American Iron and Steel Institute and Chairman and CEO of the United States Steel Corporation. Mr. Surma, please begin your conference.

John Surma: Thank you (Janelle) very much and good morning everyone and thanks to all of you for joining us for our AISI Public Policy briefing, and more generally thanks to all of you most of whom I know for your long standing interest in our sector. We appreciate it and you demonstrate that by being with us this morning. I'll begin with some comments and then I'll turn it to Tom in a moment for a few more and then we'll look forward to your questions if we can.

I'd like to begin by highlighting a recent analysis of the economic impact of the American steel industry on the overall economy that was released by Professor Timothy Considine, an economist at the University of Wyoming. The theme of his recent report is that the American steel industry is leading manufacturing out of the recession. The rationale behind this observation is
the fact that steel continues to be the basic backbone in the essential building block of the American manufacturing sector.

(Because) steel, steel is the most prevalent material in our economy. The steel industry is highly interrelated with other economic sectors. And this results in quite a remarkable fact. For every job performed in the steel industry seven additional jobs are created in other economic sectors. In 2011 the American steel industries ordered more than 1 million U.S. jobs and contributed over $101 billion to our national economy.

Our industry's purchases of materials, energy, and supplies for the production of steel stimulates economic output in employment in many sectors. The largest category of purchases is materials, as you might expect followed by the broad range of services that our industry purchases. The third largest category of purchases is energy again as you might expect, followed by machinery, transportation and computers and electronics.

This gives you the idea of why the steel sector is such a sizable multiplier effect and you can find even more detail in the Considine Report that I think you would find of some interest. Despite this encouraging analysis the U.S. manufacturing sector still faces significant challenges to our international competitiveness due to a host of factors including burdensome tax rates, uncertain energy costs, inadequate investments in infrastructure, increasing regulatory burdens and foreign unfair trade practices.

I'll briefly run through these issues and explain how it impacts our industry. The issues are not new, by the way, but the urgency to address them for us is very, very immediate. As an energy intensive industry our competitiveness will increase in direct relationship to our ability to capitalize on our nation's abundance and affordable energy supply.

The discovery and development of North America's shale resources has the potential to be the most remarkable source of economic growth on prosperity that we will see in our lifetimes. A second positive dimension of shale resource development for our industry is that the steel pipe and tube products
that U.S. steel makers produce are integral to the exploration, production and transmission of natural gas and oil.

These developments will create high value jobs, stimulate economic activity in North America and help provide energy security and independence for our nation. A good example is our company's recent investment of over $100 million in our Lorain, Ohio tubular facility creating over 100 high value jobs.

We must make rebuilding our crumbling transportation infrastructure system a top national priority. It's essential to be able to do business efficiently within our own borders in order to maintain our dominant role in the global economy.

Tom will comment more on the latest developments in this area in a moment. In the area of tax our policy makers must ensure that any tax reform proposals advancing in Congress will strengthen the U.S. industrial base by reducing, not increasing, the overall tax burden on manufacturers.

This is an essential issue the AISI is actively discussing with members of Congress and their staffs. Many recognize that with manufacturing leading the nation out of the recession the time is right for tax reform considering that the United States now has the highest corporate tax rate of any industrialized nation in the world.

Our friends in Japan, I understand, just moved down to number two. Our industry is committed to building a sustainable future. We've deployed new steel making technologies that have enabled us to reduce our energy intensity per ton of steel produced by 27 percent and CO2 emissions by 33 percent per ton of steel shipped since 1990, well beyond of course the Kyoto Protocol requirements.

Despite these advancements the federal regulatory agencies, especially U.S. EPA, have been aggressive. We urge the administration to take a step back and delay, revisit and revise some of these new rules so that we don’t make ourselves uncompetitive in the global market place.
Some of these rules are actually counterproductive and would increase energy cost uncertainties with little or no environmental benefit. An example is the Industrial Boiler MACT Rule which in current form could force co-producers to flare coke oven gas rather than recover and use it in the industrial process.

It would be far cheaper to just flare the gas, which would be allowed by law, and buying natural gas to replace it than it would be to replace the existing boiler systems and infrastructure for no additional return and no environmental benefit.

Into the baked-on hydraulic manufacturing, the states we believe are in a far better position to handle the regulation than the federal government. The federal agency should recognize this and avoid adding new layers of inefficiency and cost that could harm our competitors.

Last, and of particular importance to our AISI policy agenda, we need a more effective U.S. trade policy to combat foreign, unfair trade practices. For example, China employees’ protectionist policy that gives Chinese exports an artificial advantage over American goods by undervaluing it’s currency by as much as 30 percent. In addition, with major parts of Europe experiencing an economic downturn and with growth beginning to slow in China, an economic contraction in Japan, we must maintain and increase the strength of our vital trade remedy laws.

In summary, a strong manufacturing sector creates significant benefits for our society including good-paying jobs, investment in research and developments, critical materials for our national defense, and high value exports. We must address each of these issues if we want our nation’s manufacturing sector to continue to thrive and drive the economic recovery.

Thank you, and I’ll now turn it over to Tom for a brief legislative update. Tom?

Tom Gibson: Thank you, John. Good morning. I know most of the folks on this call. For those that don’t know, I’m Tom Gibson. I’m the President and CEO of the American Iron and Steel Institute.
Manufacturing employment has consistently grown since 2010, and it continues to drive the economy out of the recession. The steel industry has played a significant role in creating new jobs and fueling our economy, but, as John has pointed out, there’s an urgent need to address key policy issues in the Congress and the Administration which will help continue the resurgence, and top most on the list is transportation.

As John has said, the energy sector holds the promises of being a major source of steel demand. Likewise, we are hearing positive forecast out of Detroit for a strong year in the automotive sector. What’s clearly the weak link at this time is construction, so I’d like to turn to the biggest boost that Congress can give to the manufacturing sector this year.

Just before Congress went on recess, they passed a 90-day extension of the current (surface) transportation bill that expired at the end of March. The 90-day extension hopefully will give the House time to determine how we’d advance the (surface) transportation bill in that chamber, which can then be conferenced with the Senate’s two-year, $109-billion (surface) transportation authorization that was passed on March 14th.

The Senate did its job in passing a two-year bill, but these extensions, and the one that just passed by the way was the ninth extension, just do not provide the boost that our economy needs. We need a long-term bill with level funding so that the states can plan the bigger construction projects that can produce the valuable jobs and generate the demand for steel, concrete, and other materials.

What we strongly support the House leadership’s five-year, $260 billion (surface) transportation authorization bill, which includes energy and natural resource provisions in the transportation bill that would open up on-shore and off-shore bans for oil and gas leasing in drilling.

But at this point the House must act. The House has not yet passed a bill. Its time for the House to act and pass a bill so it can get to the conference with the Senate. And rest assured that AISI has been amissed of a full court press to encourage the Congress and to encourage the House to make transportation
funding a priority and get a multiyear robustly funded bill passed. That has to be the first priority when the Congress returns from its recess next week.

On the trade front, the steel industry celebrated a big victory in early March when both the House and the Senate passed, passed and the President signed into law legislation overturning an erroneous federal Court of Appeals ruling on the application of countervailing duty law against subsidized products including steel from China and other non-market economies.

I think that is proof that when the Congress is faced with an important problem, a compelling problem, a time critical problem they can act in a way, in a bipartisan manner, to solve, to solve that problem. And the consequence of failing to solving that problem for our industry would have been disastrous.

While that was significant victory there were still other areas that need to be addressed in order to make sure we are competing on a level playing field. It’s critical that the Obama administration Congress continue to pressure foreign governments such as China that continue to artificially under value their currency.

We cannot give a free pass to countries that flagrantly disregard their WTO commitments to seminate its part by passing a bipartisan bill last fall and now the House must follow suite. I note that the House and the previous Congress just that. They passed the– a similar bill on China currency but we need both houses to pass it in the same Congress. And we need the Senate to act, excuse me, the House to act this year so we can send the bill to the President to sign.

Lastly we must develop our domestic energy sources both onshore and offshore. By developing our natural gas and oil reserves, our nation can lessen its dependence on foreign oil, create thousand of jobs and spur economic growth. However, one of the biggest threats developing our nation’s domestic energy sources as Shawn noted is overly burdensome and misguided federal regulations.

Excessive and misguided regulations should stifle the emerging manufacturing renaissance that the steel industry is leading. These three
areas, transportation, trade and energy are crucial to ensure that our manufacturing sector has the power to create jobs and boost our economy.

I'll stop there so that we have some time for questions. Thanks for listening and the Operator will get back on the line now with the first question in the queue.

Operator: Certainly. As a reminder, if you would like to ask a question at this time, please press star then the number one on your telephone keypad. Once again please press star then the number one on your telephone keypad. We’ll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of John Miller with the Wall Street Journal.

John Miller: Hi, can you guys hear me.

John Surma: Yes, we can. Good morning.

Timothy Considine: Yes.

John Miller: Hey, good morning, guys. Just curious, I'll lead with aluminum actually. Alco yesterday made a big deal of focusing their profits on downstream and product aerospace, automotive. And I know that you know tubular has been a big deal for the steel industry. Can we draw a parallel between the two metals and the shift towards downstream as opposed to lower margin raw material primary products? Does that make sense to think of it that way?

John Surma: Well, it does to some degree, John, although the steel sector and I can only speak of our company, we generally have taken our material to a point where it’s a, not a finished product and then it goes on to a process which then usually ends up in a final product when it's done.

Maybe it goes through distribution processing. The other material you mentioned, I think, has had a tradition of more semi-finished business going on. But it's not something, at least that our company and to my knowledge
Tom you can comment, that other companies in our sector do that much of; at least in the U.S market.

Tom is that – I'll leave it to you to fill that out.

Tom Gibson: I don’t have much to add on that John. I think that's a fair statement.

John Surma: OK, thank you.

John Miller: Is that the Macbeth of the steel industry you can't say the word aluminum?

John Surma: There are other materials that we deal with now, I'm just kidding …

John Miller: All right.

John Surma: Aluminum is a fine material for some applications, not so for others.

John Miller: Thanks, guys.

Operator: Your next question comes from the line of (Katherine Enguy) with American Metal Market.

(Catherine Ngai): Hi, can you hear me?

John Surma: We can, good morning.

(Catherine Ngai): Good morning. I am just curious about two plans you mentioned in terms of transportation and then energy. I want to know what the stance is on Keystone. You talked about a little bit of shale that Keystone is ultimately the player in terms of how the U.S. is going to sort of – in terms of how steel mills are going to kind of get energy and affordable energy.

And also in terms of the transportation bill Tom you I know you had mentioned you know the two year Senate bill and the five year House bill. Is there that you guys prefer? Is there one that you guys are trying to lobby for particularly?

John Surma: Sure, I'll lead off on that first with respect to Keystone. We support the Keystone project. We support the entire pipeline. We feel strongly that we –
that we need that energy. We're in favor of an all – all of the above approach to energy. Not particularly happy that they didn't buy more U.S. sourced material for that project, most North American source material.

There is some in it to this point. But at this point most of the steel has already been procured and it exists. Our expectation and trans candidates that a lot of the ancillary construction is going to contain more North American and U.S. source material and that will be a good thing.

But the ancillary construction associated with the project should be completed will be good for the steel industry in addition to supplying additional energy to the market. As far as a preference for the two-year bill versus the five-year bill our preference would be the longest, most robustly funded bill that this Congress can produce.

So far the only bill that either House has been able to produce is the two-year bill. We – we're supporting the Republican leadership's efforts to get a five year bill so that they can get to conference and get something out – get something out as soon as they can.

So the longer the better, the higher funding level the better. The need is demonstrable. I've got a lot of numbers I could go through with you on what the backlog is on highway maintenance, on transportation maintenance, on rail but at this point we want the House to produce the best bill it can and get into conference with the Senate so that we don't have – don't need yet our 10th extension of the highway bill in about another – they've been out for two weeks so I guess we've got about 75 days left on the clock.

This is absolutely killing state DOTs. I'm hoping that when members were home they're hearing the kind of stories I hear every morning on the local radio, on WGOB, where you have state highway officials and metro officials or local transportation; subway operator talking about the projects that are not happening because of the lack of certainty in funding. And it just has to be addressed.

So we want the best bill that this Congress can produce.
(Catherine Ngai): All right, (terrific), thank you.

Operator: Your next question comes from the line of Len Boselovic with the Pittsburgh Post.

Len Boselovic: Hi, good morning.

John Surma: Good morning, Len. Thanks for joining us.

Len Boselovic: Sure I had a couple of questions on matters like the transportation bill. To what extent are the reluctance to raise taxes or increase spending to what extent could that affect some of the things that you say need to be done particularly in transportation? And also has the industry taken a position on the bill introduced recently by Congressman Whitfield from Kentucky that would fund more lock and dam work?

John Surma: Tom, I'll let you comment on this.

Tom Gibson: Sure, I think when you look at some of the statements that have been made especially in the House Republican Caucus there are some members that object to the cost of the bill.

Setting the funding aside I think there are some members who object to how the bill is funded. The Senate found a way to get bipartisan support to fund their $100 million bill, the House has been less successful.

The (fact) is that transportation is a core function of government and it costs something to do those. And if (inaudible) to look at all funding sources from public/private partnerships through (inaudible).

The problem with the gasoline tax is because vehicles are becoming more fuel efficient and Americans are changing some of their driving behavior. The gas tax just isn't producing the revenues it was expected to what it was last reauthorized.

So I think both of those factors are things that are causing the Republican leadership to have difficulty (inaudible) the majority of their Caucus that they need to move forward. But this is a must do function of government. It –
John Surma: I'll just add on the locks and dams piece and the specific legislation you're mentioning I personally am not familiar with but perhaps Tom or others are. But for you know in our sector we're dealing with the millions of tons typically. And so in many cases water transportation, barge river transportation, inland waterway is the most economical, safest way to move things.

And therefore we think that should be a very high priority in any solution which is offered. You know how they get balance with other priorities that's the Congress's job to do. We just want them to get about doing it.

But the lock and dams extremely important because we handle lots of material, big volume and that's usually the best way to go with it.

Tom Gibson: OK and we'll take a look at that Whitfield bill and I don’t have the details on the Whitfield bill in front of me. But the industry has been supportive of extension of the reauthorization of the Water Resources Development Act. It's been a long time since that bill has been done.

As well as the infrastructure needed for drinking water and waste water. All those bills are kind of stuck. The way the process works is those bills are probably stuck in the queue behind the service transportation bill.

It's the same committees that do those. I used to work on those when I was in the Congress. So I think until we get a service transportation bill done, a water bill and drinking water/waste water infrastructure (inaudible) is going to have to wait until transportation.

Len Boselovic: Thank you.

Operator: Your next question comes from the line of Tom Barkley with Dow Jones.

Tom Barkley: Yes, hi, thanks for taking a question from a fellow upper St. Claire native. I just wanted to, excuse me, I just wanted to return to the issue of China if we
could. Do you see any chance of the currency bill actually passing the House this year? And I'm wondering, why do you think Speaker Banner is so reluctant to move on it given Mitt Romney has tried to outflank Obama on the issue of China currency?

And then just a follow up, what kind of action do you see out of the administration on China given the, excuse me, given the new task force on enforcement? Thank you.

John Surma: Tom, I'll just make one brief comment then I'll turn it to you. I think we always are going to advocating strict enforcement of our trade laws and we think some of the activities that China is into clearly are against our trade laws and also not in adherence with their WTO obligations.

We give a lot of credit though when the administration does pursue these things and the case that was brought by USTR Ambassador Kirk and his staff with respect to certain raw materials exports from China that have, has now gone through you now several stages I guess at WTO finding in our favor and they had, I think we had support from Europeans as well on that, maybe others.

But I think we should give credit for that being a very good job and it demonstrates that progress can be made when the administration with the right support brings the right case on the right matter. We just think now that should be expanded to a few other areas and with that Tom, I'll turn it over to you.

Tom Gibson: I think that I agree with everything John just said. Obviously Governor Romney has made some very strong statements about China and what his intent is with respect to China. And you know we're, that, the, we believe he's right with respect to the statements he made on China. We appreciate what the administration has done with respect to the bill. I think that the House leadership has shown an openness of dealing with China currency in the context of a lot of the other problems with in a relationship with China right now.
So we're, we're still working closely with the, with the wage and means committee and with the leadership to find a way that the, the currency bill might move forward in the context of a broader bill on, on some of the trade issues ranging from intellectual property to currency with China. Does that answer the question?

Tom Barkley: Yes. Well what about other WTO issues such as maybe something on auto parts? I'm just wondering if you're expecting any kind of action on specific issues?

Tom Gibson: That would be hard for, you know those are our customers in this industry. It's hard for us sitting here as the trade association for the steel industry to, to know really what their intent might be on a, on bringing a case.

John Surma: Oh, they would say Tom Gibson covered it in his remarks but the, the court case, the appeals court case as I understand that would've had the effect of, of rendering obsolete certain anti-subsidy remedies that are in our national trade laws the restoration of that by Congress, House and Senate acting, President signing. We took that as a great sign that our government can indeed do the right thing when there's a pressing need for it.

But we think we have to get maybe the China currency situation into that same category. But we were extremely pleased that the Congress and the President did act and did correct a wrong that was obvious to everyone and put us back in a much more even handed position in dealing with people that we have to deal with.

Tom Barkley: Thank you.

Operator: Your next question comes from the line of John Miller with the Wall Street Journal.

John Miller: Yes, if you wouldn’t mind, could you drill down a little bit more on the trade front and explain some of the trends that you know specific products, countries that you find, and obviously China, but sectors and maybe some numbers you know what you’re expecting for this year. And another question is anything to say on iron ore prices for the industry?
John Surma: This is John Surma. Not on iron ore prices. You know we’re sort of in our pre-earnings release time here, and so that’s sort of relays to market matters. I’ll let Tom comment if he wishes, but it’s not the market worldwide reactive in anyway. We have our own resources here and have a different market situation in Europe, so it’s not one that I can speak with particular authority about even if I was able to. I’ll leave it to Tom to comment on that.

On the imports front, we, as a company, of course, watch everything that concerns us, which would be flat-rolled certainly, but also on the tubular side, we watch line pipe and OCTG are important products for us, and we keep a close eye on those. We had a very difficult time some years ago 2008 and ‘09 and brought a very important case on OCTG and were successful for all the right reasons.

So, we watch the figures, we act when we think that’s necessary and where we think we have a case we can win. So we’re not afraid of doing that. And we’re keeping a close eye on the numbers right now. But, Tom, you have the most recent trends probably in those reports that you get. I’ll let you comment on specifics.

Tom Gibson: I’ve got some three-month trends here, John. First off, just kind of looking at increase ‘11 versus ‘10 in finished imports, they’re up 22 percent, and that was led by South Korea, which was up 39 percent, China up 44 percent, and Japan up 12 percent. Looking at data for the first three months of this year, we’re seeing imports from South Korea up 45 percent, a real surge in Turkey up 281 percent, and Japan through the first three months of the year. So, the total of all that is imports are up, running up total steel 35 percent, finished steel 30 percent, in the first quarter.

Some of the products we’re seeing a real surge in in the first quarter of the year in ’12 versus ’11, are rebar imports are up 114 percent. John mentioned line pipe, that’s up 67 percent, plates and coils is up 54 percent, and (cut wing) plate is up 52 percent.
John Miller: Are there overseas plants that are specifically looking at the shale boom and making goods to compete in tubular, you know basically because they are seeing the same things you are in Marseilles, et cetera?

John Surma: I can’t speak for what they’re seeing or not seeing. We just know that we see, as Tom pointed out, some increasing volumes in certain areas. That’s quick likely where it’s going and whether it’s you know in one formation or another, I’m sure it’s heading throughout the market through distribution, but my sense is you’re probably correct. That’s what they’re seeing.

John Miller: All right. Thanks, guys.

John Surma: By the way, (John), I gave you only half an answer on your first question about the other material. I wouldn’t want you to think that, from a steel standpoint, we’re not also running really hard downstream tubular since we’re on that. You know we’re very busy expanding our suite of premium connections, the state-type, drill-type connections that we need to have, the producers need to have on certain applications, and we’re part-way through a large part of the way through, a very large new addition to our suite of flat-roll facilities in Northwest Ohio joint venture with Koby Steel. It’s a continuance (inaudible) line to make the ultra-high-strength steel …

John Miller: Right.

John Surma: … for automotive appli—so we’re doing those things all the time and spending lots of capital to do it, so I wouldn’t want you to think we’re all done and happy with where we are. We’re running very hard after that.

John Miller: But do you see that as a more stable kind of business than upstream?

John Surma: Well, yes, upstream for us is sort of a foreign concept; it’s not ….

John Miller: Yes.

John Surma: …or at least it’s not big piece – speaking for our company business and there isn’t a very large, semi finished trade so to speak of domestic business (inaudible) that’d be my recollection there’s certainly some, but…
John Miller: Right.

John Surma: ...I think from a steel sector in general, we’ve been getting our product pretty close to the end-user, if not right to them to someone who’s working for them and that’s allowed us to perform a lot better, keep the supply line shorter and keep them happier.

John Miller: Right, makes sense thanks.

John Surma: Thank you.

Operator: For additional questions or comments, please press star than the number one on your telephone keypad. There is a question from line of (Sonya Elmquist) with Bloomberg News. Miss (Elmquist) your line is open.

(Sonya Elmquist): Hi guys, I think I’ll just give this one a try since we were talking about that other metal. One of the things that those – that’s been really played up in that industry is producers reducing capacity, closing smelters to deal with an oversupply of the metal, trying to get some support for prices.

What can you guys comment on what role a supplier discipline is going to play in steel this year?

John Surma: Well I can only speak for our company, that’s the only thing that we know anything about you know our policy is we make whatever our customers order and we hope they order more this year, we hope this will be a better year.

So beyond that there’s really nothing I can say, Tom you may want to add or subtract from that.

Tom Gibson: No I would only subtract from that, we really – but that’s not – that’s something that’d be appropriate for a trade association to talk about our think about.

(Sonya Elmquist): I figured I’d give it a try, thanks.

John Surma: Thank you.
Tom Gibson: Sure.

Operator: There are no additional questions.

John Surma: OK, thank you.

Tom Gibson: Thanks everyone appreciate it.

John Surma: OK.

Operator: This concludes today’s conference call. You may now disconnect. Presenters please hold the line.

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