

**Statement of Keith Busse
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**Congressional Steel Caucus
March 16, 2005**

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We appreciate being able to appear at the Congressional Steel Caucus hearing today to discuss steel industry legislative priorities. I am Keith Busse, President & CEO of Steel Dynamics, Inc., an electric furnace minimill company described by analysts as one of the most productive and competitive steel companies in the world. Our company has 4.5 million tons of raw steel making capacity, and 4.2 million tons of steel mill product shipping capability. We aggressively use technology and reward our employees for their productive effort.

I am also Chairman of the Steel Manufacturers Association, the trade group that principally represents the North American electric furnace steel producers and rerollers and whose 38 company members employ 40,000 people operating 125 steel plants. Our U.S. members produced about one half of the steel made in the U.S. in 2004.

Table I: Total U.S. Domestic Shipments, 1995-2004

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004(E)
Tot Domestic Shipments	96.9	100.5	105.5	102.4	106.2	109	99.4	99.7	104.1	112.5
Plus Imports	24.4	29.2	31.2	41.5	35.7	38	30	32.6	23.9	33.4
(Of which Semi)	5.2	7.5	6.4	6.8	8.6	8.6	6.4	9	5	7.1
% of Apparent Consumption	22%	25%	25%	31.4%	27.7%	28.7%	25.5%	27.6%	20.9%	25.5%
Less Exports	7.1	5	6	5.5	5.4	6.5	6.1	6	9	8
Apparent Consumption	110.3	117.4	124.6	132.3	127	132.6	128	117.7	114.4	131
LIKELY CAPACITY SCENARIO										
Avg. Production Capacity	112.4	115.4	121.4	125.2	128.2	130.3	125.5	118.1	121.3	123.6
Operating Rate	91.7%	91.2%	89.4%	86.7%	83.8%	86.1%	79.2%	86.0%	82.2%	91.0%

I am glad to report that the US steel industry is in far better shape today than it has been over the past six years. But we need continued operating results that exceed our cost of capital to reach the investment levels that will guarantee the industry's future health. Here are some of the things that need to be done:

An Adequate On-Shore Steel Supply, A Requisite For a Strong U.S. Economy

It is beyond doubt that steel is essential for the maintenance of a strong U.S. manufacturing base. U.S. manufacturers need steel for a wide array of products from automobiles to construction to appliances.

But North America is the only major world entity that has domestic steel consumption substantially higher than its domestic steel supply. The U.S. is dependent upon foreign steel sources of supply for about 10-20 million tons annually, although much more than that has

official reserves have increased by \$1.2 trillion, equivalent to two-thirds of the U.S. cumulative deficit over the period. The U.S. is by far the world's biggest debtor, with the highest trade and current account deficits incurred by any country in history.

This could cause the collapse of the dollar as the world's reserve currency, followed by domestic inflation and a decline in the U.S. standard of living, an outcome we should avoid at all costs. The steel industry has a direct stake in this outcome.

The U.S. government should announce it supports a further orderly decline in the dollar against several Asian currencies. Efforts by Asian countries to intervene by maintaining fixed or managed rates to prevent the dollar's fall should cease, otherwise we will continue to hollow out our manufacturing base with disastrous results.

The Problem with China's Currency Value

China's government continues to maintain an artificially low value of the Chinese currency against the U.S. dollar. Some estimates put the total under-valuation as high as 40 percent. U.S. companies cannot effectively compete against the subsidies caused by this currency manipulation.

The SMA urges the U.S. Congress and the Administration to use China's extraordinary access to the U.S. market to negotiate a more realistic relationship of the Yuan to the dollar. Mr. English, we support your legislation "Stopping Overseas Subsidies Act". This legislation would apply

productivity, and reduce the non-labor costs of making steel. Steel minimills are also heavily dependent on electricity, which has increased in price across the country, while service reliability has simultaneously declined.

This year, Congress is once again considering comprehensive energy legislation. SMA generally supports this effort. In particular, it is apparent that re-directed national policies are required to support better development and use of the country's natural gas, coal and nuclear resources. SMA supports legislation to establish uniform electricity reliability standards as well. We are concerned that repeal of the Public Utility Holding Company Act of 1935 must be accompanied by adequate state and federal regulatory authority to safeguard consumer interests. In particular, FERC's authority to rein in the transmission and generation market power must be clear-cut.

Finally, Congressional guidance is needed for FERC and state regulators to adopt regulatory policy changes that are needed to encourage more effective demand response participation in electricity markets. SMA electric furnace steel companies are among the most frequently curtailed and price responsive electric loads in the country. Collectively, they represent an enormous demand response resource for enhancing grid reliability and reducing electricity costs for all consumers. This operational flexibility, however, extracts serious productivity and lost production costs. Through our experience with various demand response and curtailable service programs, we have found that the biggest impediments to enhanced customer demand response often are: 1) the unwillingness of FERC to remove unnecessary barriers to load participation in energy, capacity and ancillary service markets, and 2) the unwillingness of FERC and state regulators to coordinate their efforts on these issues.

If mercury in sufficient quantity cannot be eliminated at the source, the country could face an annual pile-up of millions of tons of unusable scrap, which would be an environmental disaster far surpassing the mercury contained in automobile scrap. This would substantially curtail domestic steel production, or cause the imposition of huge unsustainable penalties due to a steel company's inability to capture this element when scrap is melted in our furnaces.

In closing Mr. Chairman, we wish to thank you for allowing us to describe a few important issues. There are others such as the need for tax reform, health care improvements, trade issues, including biased WTO rulings, import monitoring, government subsidized steel capacity growth, retention of Buy American legislation, and the need to replace much of America's obsolescent infrastructure.

The steel industry is grateful for the strong support of the Steel Caucuses, without which the industry would make little progress toward its public policy goals. Thank you.