



SPECIALTY STEEL INDUSTRY OF NORTH AMERICA

3050 K Street, N.W.
Washington, D.C. 20007
TEL: (202) 342-8630 or (800) 982-0355
FAX: (202) 342-8631
www.ssina.com

Testimony of Dr. Jack W. Shilling
Chairman, SSINA
Executive VP, Corporate Development and Chief Technology Officer,
Allegheny Technologies Incorporated
before the
Congressional Steel Caucus
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Mr. Chairman and Members of the Congressional Steel Caucus:

I am Jack W. Shilling, Chairman of SSINA and Executive Vice President, Corporate Development and Chief Technology Officer, Allegheny Technologies Incorporated. Thank you for inviting me to appear before you today on behalf of the Specialty Steel Industry of North America. Members of SSINA are indicated on the list attached to my testimony. We represent virtually all of the North American production of stainless steels, superalloys, tool steels and electrical steels.

The Future of The Specialty Steel Industry in North America

Also attached to my testimony is a paper we originally issued in July, 2004 and updated last month. The paper describes our view of the challenges facing this industry, the importance of the U.S. specialty steel industry to the national defense and the industrial economy, and suggests public policies to support the long-term survival of the industry. Simply put, this is a crucial industry, both to the national defense and our economy. Our materials are found every day, everywhere. No significant industry in this country can function without our materials.

weapons systems. There is no mention in these studies as to what these crucial materials are and where they can be obtained.

- Specialty metals play a major role in the daily operations of the military. Our “future” paper describes many of them.
- These specialty metals are not commodities. They are in a constant state of evolution as new defense requirements surface, and significant technology is required to develop and manufacture them in a cost-effective manner. Security of supply is essential to our defense systems.
- Lastly, DOD may not be in compliance with the statutory requirement that the Department provide Congress an annual evaluation of the national defense industrial base. The “industrial base” is not just sophisticated weapons; it must include the high technology industrial infrastructure supporting the nation’s ability to build those systems, which include the ability to develop and produce specialty metals.

We are preparing a comprehensive report describing the materials we supply for national defense applications, which we will provide to the Steel Caucus.

Earlier I mentioned that government procurement policies should support the domestic industry, particularly in the defense area. In making this statement, we are not asking for protection. Our industry does not seek or need protection. We are not proposing that government procurement policies be used to prop up an uncompetitive industry. We are, in fact, the global leaders in the manufacturing and technology of these materials. What we are proposing, however, is that government procurement policies support our domestic industry until a level playing field exists.

- OSHA substantially underestimates the costs of compliance.
- Decades of industry experience simply do not show increased exposure risks among our workers at either current or historic exposure levels.

SSINA is vigorously opposing the proposed rule and we have submitted evidence to OSHA that the proposed rule is both unnecessary for worker protection and needlessly costly for the industry. We have been requested by Commerce Assistant Secretary Frink to provide his office with a list of regulatory issues that are adversely affecting the competitiveness of our industry. We intend to include this issue in that list. We will appreciate your help in making sure that any new rule is justifiable.

CDSOA – Byrd Amendment

You are all familiar with the “Byrd Amendment” which provides for the distribution of antidumping duties to injured US companies which supported successful antidumping and countervailing duty cases. You also know of the challenges to this law in the World Trade Organization.

The Bush Administration has proposed repealing this law in its FY 2006 budget. We respectfully urge you to reject that request. Despite the WTO ruling, we firmly believe that this law is consistent with WTO rules. The WTO ruling is a clear challenge to our national sovereignty, and we should not give in. Furthermore, as a matter of fundamental fairness, it is only appropriate that injured industries be permitted to receive compensation related to lost of profits they have suffered as a result of unfair trade practices. This is true under antitrust law, and there is no reason it should not be true under trade law as well.

Their undervalued currency essentially acts as a prohibited export subsidy. This enables China to price its products at about 40% less than would be the case with a properly valued currency. This artificial competitive advantage should be neutralized via a revaluation of the yuan. To date, China has resisted calls for reform by the U.S., the E.U., the IMF, leading economists and many others. As with other nations, China should obey the rules.

SSINA will be keeping a close eye on developments in China and will update the Steel Caucus periodically.

Thank you for your attention and your continued support. I will be pleased to answer your questions.

Attachments