



ArcelorMittal

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Congressional Steel Caucus
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Chairman Murphy, Vice Chairman Visclosky, and Members of the Congressional Steel Caucus, I am Mike Rippey, President and CEO of ArcelorMittal USA. Thank you for holding this hearing today.

Let me begin by giving you a brief overview of the current state of the steel industry in the United States. The U.S. steel industry today operates over 100 facilities, employing 152,900 people, and producing steel shipments valued at 75 billion dollars in 2013. Every one job in the American steel industry supports nearly seven jobs, a critical multiplier for our communities. As a result, the steel industry, directly or indirectly, supports more than one million U.S. jobs.

Last year, the market for steel in the U.S. was relatively flat, with overall demand just slightly down. For this year, we are cautiously optimistic. The AISI is forecasting an improving steel market with an expected four percent increase in demand and shipments.

At the same time, the industry continues to face the challenge of foreign imports. In the first two months of this year, imports have increased by 15 percent, capturing an unacceptably-high 25 percent of our market. This is particularly troubling given that US producers were only using 77 percent of their production capacity in 2013. The industry's capacity utilization continues to remain low compared to historic averages.

The industry's biggest downside risk continues to be the threat that global overcapacity in steel and weaker economies abroad could result in a continuing surge of imports into our market. My colleagues will speak to the trade issue in greater detail in just a moment.

I'd like to focus the remainder of my time on the state of our nation's infrastructure from the steel industry's perspective.

As businessmen and women, our job is to make steel and to move steel. We can't employ people and operate, nor can we properly serve our customers' "just in time" demands, without a robust system of roads, rails, and waterways.

Our reliance on the nation's infrastructure begins with deliveries of vast quantities of iron ore, coal, scrap and limestone. Our raw materials arrive by ship or barge on an Inland Waterways System with 240 locks, more than half of which are over 50 years old and have exceeded their design life. Much arrives via the Great Lakes, where only one Coast Guard heavy ice breaker is available to open the vital shipping channel between iron ore mines and steel mills. Two-thirds of the iron ore fleet depends on one lock system, which went into service in 1969. That lock opens for the season today, but with so much of the Great Lakes still covered with ice, we do not know when iron ore will be able to make its way to our plants.

As we speak, we are facing a potentially dire situation in Cleveland as the US Army Corps and the Ohio EPA appear at odds over where to place dredged materials. If this dispute delays the essential spring dredging of the Cuyahoga River's navigation channel, operations at our Cleveland plant would be shut down.

Mr. Chairman, our three integrated steel facilities on the Great Lakes use nearly 21 million tons of iron ore per year. We depend on our waterways to get those materials to our plants. Please pass the Water Resources Development Act and provide adequate funding for the Army Corps of Engineers to maintain and modernize our waterways.

Our economic competitors around the world are on a crash course of investing in infrastructure. They are gearing that infrastructure toward exporting, helping their industries send their products to global markets. One example is the Port of Shanghai, now the world's largest port, which more than doubled its capacity in recent years including the almost unimaginable 5 year construction of the Yangshan Deepwater Port facility capable of handling the world's largest container vessels. In that short period of time, China constructed the world's longest sea bridge stretching over 20 miles with six lanes to reach the Deepwater Port.

I was just in Japan last week and it is obvious that Japan has made infrastructure investment a top priority. Believe me, the average Japanese isn't spending \$1000 repairing his car because he hit a pothole. Japan has spent about \$2 trillion since 1990 and is planning to invest over \$100 billion more in new infrastructure and upgrades over the next 15 months.

What these countries also understand is that infrastructure investment means jobs. The steel industry certainly knows that – our employees make the steel that goes into our bridges, roads, rails, and ports.

Let me give you just one example of the job-creating power that infrastructure

investment means to America. ArcelorMittal plants in Pennsylvania and Indiana will be providing 160,000 tons of plate steel for the Tappan Zee Bridge project in New York, a key highway link throughout the Northeast that carries 138,000 vehicles a day. Our steel will help replace the current outmoded bridge opened in 1955 and make it last 100 years without major structural maintenance. A true “win-win-win” for taxpayers, drivers, and steel workers.

Let me also say that American taxpayer dollars, when used for infrastructure, should go to American workers, and we thank members of this caucus who have fought so hard for this basic principle.

As many of you know, the respected American Society of Civil Engineers last year gave the state of our nation’s infrastructure a grade of “D+”. The Society says that we must spend \$454 billion annually to get to a “B” rating by 2020. That’s about \$200 billion a year more than is currently planned.

Raising taxes is never a popular idea, particularly in a campaign year. But the American people are already paying a hidden tax for inadequate infrastructure in the form of the lost jobs, less personal safety, and a decreasing quality of life. Americans lose 4.2 billion working hours per year due to traffic tie-ups. Who wouldn’t pay an extra 5 or 10 cents a gallon if it meant they could spend an extra hour a day with their family?

Members of the Caucus, you have the opportunity to fix this problem.

The Highway Trust Fund will be depleted by this summer. States are expected to cancel or postpone projects without assurance of the usual federal match. The surface transportation program itself, enacted in 2012 as “MAP-21”, expires at the end of September. Please renew it for the long term, and with a reliable source of funding.

We should consider all available options for funding this investment because the scope of the problem is larger than any one solution. The gas tax hasn’t been raised in decades even though highway project costs have gone up while revenues have gone down, with Americans driving fewer miles in more fuel-efficient vehicles. There is an ongoing discussion of public-private-partnerships, infrastructure banks, bond programs, and other funding approaches. Our industry is ready to work with you to sort out those options.

Today’s infrastructure crisis is a product of decades. It won’t be totally fixed by one bill, or in a short time. But we must reverse the decline and stabilize the systems. American steel stands ready to be your partner in that effort.

Thank you for inviting me here to testify today and I look forward to your questions.