



Statement of Richard P. Teets

**President and COO of Steel Operations
Steel Dynamics, Inc. and
Chairman, Steel Manufacturers Association**

**House Steel Caucus
March 25, 2014**

1150 Connecticut Avenue, N.W., Suite 715
Washington, D.C. 20036
Phone: (202) 296-1515
Fax: (202) 296-2506

About Steel Dynamics and the SMA

Chairman Murphy, Vice Chairman Visclosky, members of the House Steel Caucus – thank you for the invitation to appear before you today, and for all that you do to support the U.S. steel industry.

I am Dick Teets, President and COO of Steel Operations for Steel Dynamics, Inc., and Chairman of the Steel Manufacturers Association.

Steel Dynamics was founded in 1993. Over the past two decades, SDI has grown to become one of the largest steel producers and one of the largest recyclers in the United States, with a current estimated capacity of 7.4 million tons. SDI's growth has relied on the quality of the people that the company employs. We pride ourselves on safely making high-quality steel products.

I am here today in my role as Chairman of the SMA, which is the primary trade association for U.S. electric arc furnace steel producers, commonly referred to as "minimills". SMA's 34 member companies operate 130 steel plants across the country, and account for over 75 percent of domestic steel production. SMA also has 117 Associate Members who supply goods and services to the industry.

Today's Hearing

We understand that the purpose of today's hearing is to address the state of the U.S. steel industry, with an emphasis on what Congress can do to support its health and vitality. I will focus my comments on the potential impact of infrastructure investment. But we cannot accurately discuss the state of the U.S. industry without providing a global context.

According to the OECD, global excess steelmaking capacity currently exceeds 500 million tons. With massive excess capacity and weak markets in several regions, the U.S. has become a market of last resort for many of our trading partners. This cannot continue. The U.S. is the world's largest net importer of steel, and much of this imported material is illegally traded. Achieving balance in our nation's steel trade would support as many as 87,000 new jobs in the U.S. economy. This market-based expansion of domestic steel production would be economically justifiable based on comparative advantage and existing unused capacity in the U.S.

With that as background, I will now shift my comments to the need for infrastructure investment.

The Need for Infrastructure Investment

A healthy infrastructure is vital to the functioning of our nation's economy. Sufficient, long-term investment has the ability both to provide an immediate boost to employment levels, and to make the U.S. more competitive in the decades ahead.

According to a recent study by the Federal Reserve Bank of San Francisco, the fiscal multiplier of infrastructure investment greatly exceeds that of typical government spending. Each dollar of infrastructure investment increases state GDPs by more than two dollars. The positive impact was found to be even greater during economic downturns, with a multiplier roughly four times greater than that of average spending. With sustained high unemployment levels and limited resources available, policymakers should prioritize investment in our infrastructure in order to maximize the return.

U.S. companies are placed at a disadvantage in increasingly global markets as they compete with foreign producers who operate in nations that fund their transportation infrastructures at much greater rates, as is true of most of our major trading partners. While this is to be expected for developing countries, the EU also continues to invest at a much higher rate, as a percentage of GDP.

The U.S. infrastructure, once number one in the world, has fallen to 19th in the latest World Economic Forum ratings. Our interstate system was instrumental in the growth of our economy and emergence as the world's greatest power. But development has not kept pace with changing demographics and needs.

In the most recent infrastructure report card issued by the American Society of Civil Engineers, the U.S. was given an overall grade of "D". In addition to the aforementioned economic competitiveness impacts associated with infrastructure investment, the failure to invest also carries serious safety and security risks. Crumbling bridges, bursting water pipes, poorly developed energy systems, and congested highways jeopardize the safety of American lives.

When SAFETEA-LU was passed in August 2005, it provided \$286.4 billion in funding and authorization for federal surface transportation spending, until it expired in September 2009. Since then, funding has been allocated through a series of ten short-term extensions, followed by the passage of MAP-21 in June 2012. This two-year bill is set to expire at the end of September.

Multiyear investment and certainty is necessary to allow state DOTs to participate in large-scale project planning. We should be building bridges, highways, and mass transit systems, rather than just filling potholes and conducting maintenance projects.

As suppliers of high quality, durable steel products made almost entirely of recycled materials, SMA's members have an active role to play in the building of our nation's infrastructure. Projects should utilize domestic sources of steel in order to ensure that the full benefit of investment is realized in our own economy.

The debate over infrastructure investment largely centers on budgets and funding mechanisms. Increased user fees should be a key source of necessary funds. Additional sources of revenue, including public-private partnerships, bonds, and tolling on new roads, should also be utilized.

Many have expressed concern over the cost of investment. However it is useful to also consider the costs, economic and otherwise, of inaction, including: further deterioration to highways, bridges, sewers, and water pipes; an increase in automotive casualties; traffic congestion and the resulting waste of oil; funding delays for important projects; and lost business opportunities to international competitors.

In addition to the need for substantial investment in our nation's infrastructure, steps should be taken to maximize the efficiency of movements on our existing roads, rails, and waterways.

Critically needed repairs to our locks and dams are being delayed by shortages in the Inland Waterways Trust Fund. The insolvency of the trust fund has left a growing number of locks and dams unsafe and critically near failure. Avoiding the problem until disaster occurs is not an acceptable approach. Further breakdown could have disastrous implications both for the flow of commercial traffic and for public safety.

It is time for Congress to act and to invest in our nation's infrastructure by moving the Water Resources Development Act out of conference, and by passing long-term transportation reauthorization prior to the expiration of MAP-21.

Conclusion

SMA would like to thank our Congressional leaders for their support, and for their continuing attention to issues that impact the U.S. steel industry. Additionally, we wish to express our genuine appreciation to Congressmen Murphy and Visclosky for their bipartisan leadership of the House Steel Caucus.