

NATIONAL SECURITY INVESTIGATION

OF IMPORTS OF IRON ORE

AND SEMI-FINISHED STEEL

Investigation conducted under the Trade

Expansion Act of 1962, as amended

{BOn} TRANSCRIPT OF PUBLIC HEARING{BOff}

Conducted on July 5, 2001

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DEPARTMENT OF COMMERCE

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OFFICE OF STRATEGIC INDUSTRIES

AND ECONOMIC SECURITY

The public hearing conducted on the 5th day of July, 2001, commencing at approximately 12:01 p.m. at Virginia High School, Virginia, Minnesota, before Jean M. Whalen, RDR, CRR, a Notary Public.

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CHAIRMAN HILL: Good afternoon. On behalf of the Department of Commerce, I would like to welcome everyone to today's hearing regarding the impact on our national security of the imports of iron ore and semi-finished steel. Our objective today is to gather information as we create an official record to support our investigation.

My name is Daniel Hill. I'm with the Department of Commerce's Senior Executive Service, and I'm the hearing official for today's hearing.

Before we begin with the testimonies, I would like to thank the following people for their efforts that they have made not only just in regards to this hearing today, but as well for our national security investigation as a whole.

I would like to first thank our Congressional delegation, Senator Paul Wellstone, Senator Mark Dayton, and Congressman James Oberstar and their staffs for their fine support to make this event happen today. Quite frankly, without their help, it would not have happened.

In particular, I would like to cite Congressional staffer Lisa Pattni and Congressional staffer Jackie Morris, and I would also like to give a special thank you to the high school superintendent, Wally Schwab, for allowing us to have a hearing in such an elegant location. We really appreciate it, and thank you, Superintendent.

I also at this time want to thank Heidi Frazier and James Ramponi. James is the president of the local 4-H club, and Heidi is the vice president. Heidi was at the podium.

Today has started on a high note, a very successful note. They've made me an honorary 4-H member, so I've accomplished most of what I wanted to accomplish today; but I want to thank them for the Presentation of the Colors and the Pledge of Allegiance. And how about Ashley Airis? How about another round of applause?

(Applause.)

CHAIRMAN HILL: In Washington, we hear and we have the Presentation of Colors on many, many occasions, but I think the one I heard today, the Star Spangled Banner, Ashley, was among the finest. Thank you very, very much.

As many of you know, the Bureau of Export Administration in the Department of Commerce initiated this 232 investigation on February 1 of this year in accordance with Section 232 of the Trade Expansion Act of 1962, as amended.

We are conducting this investigation at the request of Representatives James Oberstar of Minnesota and Bart Stupak of Michigan.

Section 231(d) of the Act directs us to evaluate the domestic production needed for projected defense, national defense requirements; the capacity of domestic industries to meet such requirements; the requirements of growth of such industries, including the investment and development necessary to assure such growth; the importation of goods in terms of their quantities, availabilities, character, and use; and the impact of foreign competition on the economic welfare of the individual domestic industries. These are among the many factors that we will consider in our investigation.

As part of the investigation, we have assembled an inter-agency team of experts in Washington, some of whom are here today. Our Washington inter-agency team consists of representatives from the many bureaus within the Department of Commerce, the Departments of Defense, Labor, State, and Transportation, the Office of the United States Trade Representative, the United States International Trade Commission, the Department of Interior's United States Geological Survey, and Council of Economic Advisors, also from the White House.

One of the initial steps of our investigation involved a public comment period that closed on May 2, 2001. During this period, we received over 3,000 submissions. I'm sure that many of you here today submitted your comments, too.

We are now in the process analyzing those comments, and they are part of the official record, and I thank you for submitting those comments to us. They are available for your reading, and if you would like to see what other comments are on the Internet, they're at our Web site at www.bxa.doc.gov, g-o-v. You click on that site and then click on the FOIA, F-O-I-A, Reading Room, and you can see the comments.

In addition to the written comments of the public hearings we are conducting in Minnesota and Michigan, we have developed surveys which are now being finalized and will be in the field within the next two weeks which will go to the iron ore and semi-finished steel producers and end-users, and we will ask them to account for their respective views.

A public hearing was announced for California, but it has since been canceled.

Our inter-agency team will consider all of this input from our written comments, our public hearings, our surveys, and independent research in developing our report. We also rely on an assessment from the Department of Defense of their national security needs for steel, and the Department of Labor will give us an impact on the labor market.

The Secretary of Commerce, Secretary Donald Evans, will report his findings to the President no later than October 29, 2001.

We have received approximately 900 requests to speak at today's hearing, quite a volume. Unfortunately, we can only accommodate 34 speakers; however, I will leave the record open until August 17, 2001, and all comments, all comments, received in my office before August 17, 2001, will be accepted and will be considered a part of the official record. So if there are those of you

in the audience today who asked to speak and were not allowed because there wasn't room on the schedule, please feel free to send your comments to us. We will include them in the official record.

Similar to the written public comments, all requests to speak and other comments are available on our Web site as well. In addition, as you can see, we have a court reporter, and a transcript of this hearing will also appear on our Web site.

Now let's begin with the important work as we listen to the testimonies of the witnesses.

Each speaker has been allotted 10 minutes, which includes a question-and-answer time. I ask that speakers keep their comments to five minutes, thereby allowing for five minutes of questioning by our panel.

On our panel today we have with us, from the Department of Labor, Jim Woods; we have, from the Department of Defense, Jim Thompson; we have my counsel, Dave Recker; my industry analyst, Mike Vaccaro; his boss, Brad Botwin; and on the far left, we have Bill Kirk from the U.S. Geological Survey.

On that note, I would like to invite Senator Wellstone to approach the witness table and get us started.

Senator Wellstone.

* * *

{BON} TESTIMONY BY SENATOR PAUL WELLSTONE{BOff}

SENATOR WELLSTONE: Well, first of all, Director Hill, I'm going to stay within the 10 minutes. But thank you. You ended up thanking the 4-H and Heidi, and I agree with you about Ashley's beautiful voice, and thank you. And I think the members of our community, which is not only the Range, but the Minnesota community, thank all of you for being out here.

I want to quickly thank Lisa Pattni also for all of her work -- she works with me right here in the Virginia office -- and Josh Syrjamaki, who is from the Range, born in Aurora, and also Marge Baker, who has come out here from Washington. And since my good friend Tom Rukavina will be testifying, I also want to mention that we've got Representative Sertich and Senator Tomassoni, and I don't know whether Senator Johnson probably will be here as well.

Tim Mahoney came down here from St. Paul, another representative from the legislature, which I think just shows his strong support, and Joe Begich is always here; right, everybody? He's always here. He's always here. And of course my colleagues Congressman Oberstar -- no one is more knowledgeable, no one is more knowledgeable -- and Senator Dayton. It's a labor of love to be able to work with Senator Dayton.

It's a little after 12, so I can say good afternoon, and I appreciate the opportunity to appear here today. This investigation is important not just to the workers, not just to the families, not just to our businesses and communities of the Iron Range, but to our nation as a whole.

I'm proud to share with the panel, with you, the enormous contributions the Range has made and continues to make to the economic and national security of the United States. It is precisely these contributions that are in danger of being irretrievably lost, and it is why these hearings today and this investigation is so very important.

As others will no doubt tell you, panelists, the tradition of iron mining on the Range goes back over 100 years. This is a proud tradition. Fathers have passed on their skills and their traditions of hard work and commitment and perseverance to their sons and daughters. These are proud workers committed to their families, their jobs, their communities, and most important of all, our country.

Over the last century, the mines of the Range together with their sister mines in Michigan have produced and shipped 4 billion tons of iron ore and taconite, and perhaps most importantly of the issues before you today, the iron ore produced from these mines, two taconite mines in Michigan and six remaining

mines in Minnesota, represents the only remaining purely domestic input into the steel-production process.

Without the taconite from these mines, other than steel produced from scrap in the mini-mills, this country would be completely dependent on foreign countries for the inputs necessary to make finished steel products.

Think about that. A country as powerful as ours, with commitments all over the world to protecting democratic traditions, with a massive infrastructure of highways, energy systems, buildings, railroads, airplanes, a country with all of that would be entirely dependent on other countries for all the raw materials that went into producing steel.

No matter what the emergency, no matter what the circumstances, without the iron produced on the Range and the two mines in Michigan, we would be virtually incapable of making steel from our own domestically produced resources. This is why we say that the nation's economic and national security is at risk if we let these mines go under, and that is precisely the predicament we face.

Import surges over the past several years are devastating this industry. We are losing basic steel-making capacities through bankruptcies and shutdowns. LTV's recent shutdown, laying off 1,400 workers on the Range, is but one example.

Mines are being closed, blast furnaces are being idled, integrated steel-makers are turning to the import of semi-finished slab, and our basic capacity to produce domestic steel is slipping through our hands.

The record is there. Our domestic iron ore industry is being buffeted by this unprecedented surge of imports, and it is not clear how much more it can withstand.

And with the demise of this industry comes the vulnerability to foreign suppliers that simply cannot be in our national economic or security interest, nor is this domestic capacity something that can be resurrected very easily.

As I noted before, there is a long and rich tradition of taconite mining on the Range, skills and competencies handed down from generation to generation. These are highly-trained workers with a commitment to these mines and an understanding of mining techniques and technologies. Workers like that are impossible to replace, and that is what we'd have to do if today's workers were forced to leave the mines to find other work to support themselves and their families.

And of course there are the mines themselves. Estimates are that it would take billions of dollars and up to five years to replace our current mining facilities, so the decisions we're making today cannot easily be turned around. We cannot throw a switch and all of a sudden re-create this industry.

If sometime in the future we wanted to resurrect our current capacity, either newly awakened to our vulnerability or, what's worse, finding ourselves unable to obtain supplies from foreign sources on which we had previously relied, it would take billions of dollars and years of work to resurrect this industry. Can we really afford that kind of vulnerability?

Today we import huge amounts of semi-finished slab steel from Brazil, Mexico, Russia, and Ukraine. Are we comfortable with this dependence?

I am, Panelist Director Hill, so very proud of the people on the Range. These are good, strong, compassionate, and resourceful people. These people know adversity and they know hardship. They will not be defeated by the current situation. All of us, my colleagues in the House and Senate, all of the local elected leadership, the mayors who are here today, community leaders, business leaders, we will find ways to support these workers and their families, those from the mines and those from businesses that are deeply intertwined. We feel deeply about their plight, but we are also concerned about our nation's well-being.

What we're asking for, what these good people deserve, is a chance to do the work that we all believe is in this country's national and economic security interests. Iron ore mining is an essential domestic industry. These workers should be able to do the work they are trained for, producing the product that their country, our country, needs.

I thank each and every one of you for being here today, and I urge you, as the United States senator from Minnesota, to recommend a remedy that will provide much-needed relief to this beleaguered industry, to people I love and believe in.

For the sake of the Iron Range and Minnesota and our nation, I thank you.

CHAIRMAN HILL: Thank you, Senator Wellstone.

Senator Dayton.

* * *

{BOn} TESTIMONY BY SENATOR MARK DAYTON{BOff}

SENATOR DAYTON: Good afternoon. My name is Mark Dayton. I'm the United States senator from Minnesota. I have submitted written testimony which I would like to have inserted into the record, if I could, please, Mr. Chairman.

CHAIRMAN HILL: It will be.

SENATOR DAYTON: I'll summarize my comments here this afternoon.

I want to thank each and every one of you for traveling to Minnesota to take part in this important hearing. It's my understanding that you're spending the next two days as well here on the Range and in Duluth, and I thank you, and I commend you for devoting this amount your time to really understand the situation that we face here in Minnesota.

It's an often-stated truism that they who fail to learn the lessons of history are doomed to repeat its mistakes. The lessons of world history and of American history are very clear: Great nations which lose their internal economic vitality do not remain great nations. Nations which lose the capacity to produce or manufacture their essential needs domestically do not remain great nations. Nations which lose the industrial strength to protect themselves during world wars do not remain great nations. And nations whose policies take jobs away from their best men and women, from their hardest working and most productive citizens, whose policies destroy lives, destroy families, and destroy communities, do not remain great nations.

This investigation, its findings, and the actions resulting from it are critical to the people here in northeastern Minnesota and thus to our entire state, yet your determinations will have an even greater effect. They will determine whether a domestic steel-manufacturing industry will continue to exist in the United States of America.

It's hard to imagine the United States having genuine national security without a domestic steel industry. It's hard to imagine our country recovering from a dastardly sneak attack like Pearl Harbor, rebuilding our Navy, and winning a world war without a domestic steel industry.

It's hard to imagine fighting theater wars against client states of other powerful nations, as occurred in the Korean and Vietnam Wars, without a domestic steel industry.

Our enemies would need only to disrupt or sever our supply lines politically, militarily, or economically to destroy our military strength and our social vitality.

The aircraft carrier the USS Ronald Reagan, for example, recently dedicated on March 4 of this year, was built with 47,000 tons of steel. Almost 70 tons of steel are used in each M1A2 Abrams main battle tank. Much of this steel has been made in the blast furnaces of this country that use Minnesota taconite.

But national security goes even beyond our weapons systems. According to a Presidential directive issued in February of this year, quote, "National security also depends on America's opportunity to prosper in the world economy,"

close quote; so we must look even past the traditional defense establishment to determine the full impact on national security of a vital domestic steel industry versus declining production.

The former Soviet Union had tens of thousands of weapons systems, yet its economic security collapsed because it could not support its domestic nonmilitary infrastructures. Our country must not make that same mistake.

For example, steel supports one of this country's most important sectors, the transportation industry. Iron ore makes the steel that moves our agricultural commodities, transports our lumber, and eases travel for our families. It is essential that we have adequate domestic resources in the United States available to supply our infrastructure demands and to build our cars, ships, and trucks now and into the future.

So the real connection between our national and our economic security is the link between the USS Ronald Reagan and Virginia, Minnesota. It is the connection between tens of thousands of miles of steel pipelines moving energy from places like Prudhoe Bay, Alaska, and the community of Hoyt Lakes, Minnesota. It is the union between our men and women in the Armed Forces and generations of Minnesota Iron Rangers. It is the bond between the hardworking people of northeastern Minnesota and a basic American industry that is essential to our country.

In closing, let me say again that this investigation and the actions resulting from it are critical to the future of northeastern Minnesota, our entire state, and our country. The survival of our domestic iron ore mining, taconite production, and steel-manufacturing industries are at stake; many thousands of jobs of hardworking Americans are at stake; the security of their families is at stake; the security of their communities is at stake; and the security of our great nation is at stake.

I ask, I implore you, to document and determine this grave and immediate threat to our national security from foreign imports of steel, semi-finished steel, iron ore, and their related products. Then we must take the necessary measures quickly and decisively to reduce these foreign imports and to revitalize this essential American industry.

Thank you.

CHAIRMAN HILL: Thank you, Senator Dayton.

Congressman Oberstar.

* * *

{BOn} TESTIMONY BY CONGRESSMAN JAMES OBERSTAR{BOff}

CONGRESSMAN OBERSTAR: Thank you very, very much. I greatly appreciate Senator Wellstone's as always impassioned and powerful presentation; Mark Dayton's cerebral, thoughtful, and heartfelt presentation; but I want to thank Secretary of Commerce Evans, the first Secretary of Commerce to have worked at a steel mill, who met with our steel caucus and with the Minnesota and Michigan delegations in Congress just a few weeks ago and pledged his commitment to help us address the issue of unfairly traded steel in the U.S. marketplace.

I want to thank Dan Hill, chairman of this conference, Brad Botwin from the Bureau of Export Administration, for your support, for your help, in guiding me through the early stages of filing the petition. Your support and your guidance were invaluable in writing the petition in the proper way.

But I especially want to join my Senate colleagues in thanking you for coming to the Mesabi Range. So often decisions that affect our livelihoods are made in places far away from here. It's refreshing to have people come here to hear the voices of concern about their livelihoods and about their futures.

I also want to thank former Undersecretary of Commerce Bob LaRussa for his work on slab and semi-finished steel, traveling as he did to Russia, Ukraine, Brazil, Korea, Taiwan, leading to results today, reductions in exports of subsidized steel from those countries.

Thank you for staying with us and our cause, in persuading the new Bush Administration to allow the investigation to proceed without delay. Once it was filed with the Federal Register, it was inexorably launched, but it could very well have been delayed, and I thank Andrew Card for his understanding of the issue at hand and for the time that he spent with me discussing the matter and allowing it to continue.

I thanked the President last Monday at the White House with the UMD women's hockey team for allowing the investigation to proceed and for his initiative on Section 201.

We all have high hopes for this 232 proceeding, but no action under the trade laws is as effective as the language that I included in the 1982 Federal Aid Highway Act by America provision and in '87 and '91 and again in '98 that requires all steel that goes into our Federal Aid Highway Program to be American steel, or 60 million tons of American steel in these 20 years has gone into our Federal Aid Highway Program; every rebar, every I-beam, every fencepost, every bit of fencing, every guardrail on the Federal Aid Highway Program is American steel. I hope we can do something like that with the 232 proceeding.

Shortly after the end of World War II, historian and journalist John Gunther wrote: "What makes America a great nation is the fact that it can roll over 90 million tons of steel ingots a year, more than Great Britain, pre-war Germany, Japan, France, and the Soviet Union combined . . . This is the Steel Age," he wrote.

Indeed, it was the age of steel in 1947, but Gunther would be surprised at what he would see today.

Steel is still the most versatile building block of an industrial society, but the domestic steel industry has been in a condition of steady decline for 20 years. Domestic steel-making capacity peaked in 1977 at 160 million tons; today, the industry is rated at a little over half that figure.

From the end of the Great Depression to 1981, the domestic steel industry operated at a profit. Since then, the industry has continuously lost money. Over half its equity was wiped out in the 1980s, victim of a double-whammy.

First, a two-decade-long rising tide of steel imports dumped in the U.S. market at less than the cost of production in the country of origin, causing domestic steel-makers loss of market share and price depression, loss of over 280,000 steel mill jobs, and the loss of 10,000 Minnesota mining jobs, 60 percent of the Mesabi Range taconite workforce.

Second, executive branch default on imports. Both Democratic and Republican administrations failed to mount timely, effective, comprehensive policies to counter unfairly traded imports of hot- and cold-rolled steel, semi-finished steel, and finished goods in which steel is a major component. Free trade advocates in successive administrations underestimated the early warning signals of an impending disaster in world trade or dismissed those signals altogether.

The Congress did respond, however, with the Steel Import Stabilization Act of 1984, which I initiated and cosponsored, giving the President authority to negotiate voluntary restraint agreements with our foreign trading competitors in exchange for a requirement on U.S. steel-makers to commit, quote, in words of the Act, substantially all of their net cash flow to reinvestment, modernization, and worker retraining programs.

In response, domestic steel-makers cut 23 million tons of domestic capacity, they invested over \$60 billion in new plant and equipment, they cut the cost of production over \$50 a ton, achieved vast improvement in quality control, and at 3.6 man-hours per ton of steel, our workers became the world leaders in productivity.

Meanwhile, foreign competition not only failed to close uneconomic facilities, they, in many cases, added capacity, cut prices while their

governments subsidized the continued operation of obsolete plants, and exported their economic distress to the United States.

The reckless free trade blinders on our international trade policy makers caused them to aggravate our economic distress in steel, failing to respond to dramatically changed international market conditions, and this is what resulted.

"One afternoon in the late summer of 1985, Richard Lynn, a 38-year-old steelworker, gathered his eight-year-old twin sons around him on the porch of their Bethlehem, Pennsylvania, home.

"'Boys, the family luck has run out,' he told them. 'You better get an education, because there isn't going to be a job like I had or your grandfather had. We're not even sure there is going to be a Bethlehem Steel Company.'

"For a man whose family had a proud record of five generations with Bethlehem Steel, it was a bitter legacy for Richard Lynn to pass on. But the decline in the American steel industry is changing family patterns far beyond Bethlehem. The problems are changing the face of industrial America.

"In the space of 40 years, this basic industry has gone from a powerful monolith, virtually invulnerable to society's ills, to an ailing weakling. The liquidation of steel manufacturing is uprooting thousands of once-secure American workers, undermining the fiscal health of their communities. It poses difficult government policy decisions and threatens national security. It is no temporary phenomenon."

So wrote John Strahmeyer in his book *Crisis in Bethlehem*, March 1986, quoted then in the debate on steel on the House floor, and I recall it again as a chronicle of the decline of America's second largest steelmaker.

In those glory days of the golden age of steel, "85 percent of all manufactured goods in the U.S. contained steel . . . 40 percent of all wage earners in the country owed their livelihood directly or indirectly to steel. A job in steel was the achievement of the American dream."

That golden age included World War I, World War II, the Korean Conflict, and Vietnam. America's mills poured 90 million tons of steel a year during World War II to produce the tanks, guns, bombs, naval warships, merchant vessels, and other gear needed to win the war, and they built the nuclear missile silos after the war, during the Cold War.

The three Minnesota Iron Ranges shipped 400 million tons of steel, nearly half our total reserves of iron ore, to supply lower lakes steel mills during World War II and Korea, virtually exhausting our direct shipping supply of iron ore.

The national defense was totally dependent on Minnesota and Michigan ore during those years, because in early 1942, Nazi submarines sank shipments of Canadian ore on the high seas, ore that was destined for U.S. steel mills. The nation's policy makers quickly realized we have to be self-sufficient in iron ore, built an ice breaker, the Mackinaw, to open the lanes on the Great Lakes and keep the shipping of iron ore steady and dependable for the nation's steel industry.

In peacetime, sinews of steel built bridges from the Verazzano Narrows in New York to the Golden Gate Bridge in California, built the locks and dams of our inland waterway navigation system, the St. Lawrence Seaway, the interstate highway system, and the colossal skyscrapers of our urban landscape.

Without steel, we cannot sustain either a peacetime or a wartime economy; and without domestic steel, we cannot be self-sufficient in the nation's most versatile building block.

As evidence of market distortions created by foreign governments, I submit for this panel the finding of the U.S. Department of Commerce investigation of the American steel crisis, entitled "Global Steel Market Distortions Abroad," and this abstract is for your record. I won't go into it at this point.

John Strahmeyer, author of the book on Bethlehem that I referenced, concluded his analysis with this commentary:

"This nation needs a viable steel industry. I believe the public falsely assumes that we will always have one. While great debates have raged over the cost of the defense budget, aid to the Contras, and other national security issues, we have all but ignored the past two decades of steady decline in our industrial base, which adversely affects the defense capability of our nation. Once the steel plants go down, no amount of shouting through bullhorns or demands for legislation against steel closings will revive it. The public should be aware of this," he wrote. "The time to use bullhorns is now."

It is no exaggeration to say that the members of this panel hold in their hands the fate of the taconite industry, its workers, and their communities. If this investigation concludes what I posited in my January filing which I also submitted for the record, the letter that I wrote to initiate this proceeding, that the taconite and steel industries are essential to our national security and defense, then the Bureau of Export Administration and the Department of Commerce can set in motion the forces necessary to correct the trade imbalance and restore the vitality of these vital industries, taconite and steel, and put us back on the road to recovery.

I urge this panel to listen to the testimony that will follow. Listen with your hearts as well as your minds to the Minnesotans today and the Michiganders on July 15, and then make that favorable finding, lest a future historian of the steel and iron ore industries repeat the dire judgment of John Strahmeyer in {IOOn}Crisis in Bethlehem{IOff}.

That crisis is now. You can heal it.

Thank you.

CHAIRMAN HILL: Congressman Oberstar, one question. Sir, thank you for your testimony and all of the requests for inclusion in this record. So accepted, and we will include all those documents.

I have one quick question for you; that it's clear, your expertise on iron ore and semi-finished steel.

If the taconite mines do fail, is it your view that they cannot be reconstituted in a reasonable period of time in the case of national emergency?

CONGRESSMAN OBERSTAR: It is my judgment, based on living this entire era from seeing the taconite plants built in -- the first one in 1953, to the current operations, that the hundreds of millions of dollars required to bring -- to build the plant and bring it online in production would be prohibitive in the marketplace after so -- after any period of decline. The problem will be that we will not be able to turn over a steel -- I mean an iron ore processing facility to serve the steel industry in the time required by a national emergency.

CHAIRMAN HILL: Thank you very much, Congressman Oberstar.

At this time, we would like to call the Honorable Tom Rukavina from the Minnesota House of Representatives.

* * *

{BOn} TESTIMONY BY REPRESENTATIVE TOM RUKAVINA{BOff}

REPRESENTATIVE RUKAVINA: Thank you very much, Members. I would like to welcome you to my hometown, to my home legislative district, and to my home high school here. Many times during these types of events I was reprimanded right over there, so . . .

My name is Tom Rukavina, Members, and I've represented the eastern end of the Iron Range for 15 years in the Minnesota House of Representatives. I've lived here all my life, as my parents have. My father's parents came to the Range from Croatia, and my mother's parents came from Italy, and both of my grandfathers worked in the mines, as did my father, my uncles, and myself.

In fact, many of today's miners out here are fourth- and fifth-generation Iron Range steelworkers; and since 1884, when the Soudan Mine shipped its first

load of ore off the Vermilion Iron Range, we have fed the steel mills out East with our raw resource.

Our mines were established and running full throttle when World War I broke out and our allies in Europe needed our resources to fight the war. And again in World War II, when the world's worst dictator was conquering Europe, our mines supplied the ore that built the machines necessary to defend freedom around the whole globe.

And when our Iron Range men went off to fight in World War II -- my dad, his two brothers, my father-in-law -- the women of the Iron Range stepped up to the plate, and they kept our mines running so we could feed our steel industry. I don't think a lot of our children know that.

In fact, John D. Rockefeller III credited the Mesabi Range of Minnesota for winning two world wars, and I would like to give you just a couple statistics to prove my point.

The peak year of steel production in World War I was 1916, when 66 million tons of ore was shipped from the Great Lakes Region from all the mines in Michigan, Wisconsin, and Minnesota. Forty-two million tons of that 66 million came from the Mesabi Range of Minnesota. And again in World War II, the peak year of steel production in the U.S. there in World War II, 93 million tons came out of the Great Lakes region, and 70 million tons came from Minnesota's Mesabi Range.

God only knows what the outcome would have been and what the world would look like today if the mines on Minnesota's Iron Ranges weren't up and running and able to supply the raw resources to the Great Lakes steel mills.

In our minds, they remained competitive through the Korean War, the Vietnam War, keeping the U.S. supplied with the steel products necessary to defend ourselves.

I said I've been in office since 1986, members of the panel, and I've lived through the hardships of when we lost our red ore mines and my father temporarily lost his job; then I lived through the '80s, when I saw -- when we had 15,000 miners, and 10,000 of them were just gone in a matter of a year. I saw my whole generation, my friends, leave the Range. People moved and took their families with them, and this school and all the schools on the Range suffered.

When I graduated from this school in 1968, Virginia had a population of 14,000 people. Today it's 9,000. We've kept our chins up, we've worked hard, and after that crisis in the '80s we got our production back up to where it was, nearly where it was, back in the late '70s.

But today we've got a very different situation. We've lost the mine at LTV completely and the 8 million tons of production that it created a year, and I don't think that our mines -- in fact, I know our mines and the mines of Michigan cannot make up that production.

We have to have a source of our own domestic ore to remain strong. We can't call up the Chinese, we can't call the Ukrainians, Brazilians in times of emergency and ask them for their raw resource or their finished steel product. We can't let this country get to that point.

We have over 200 years of taconite left here in the Mesabi Range. It gets harder to mine, granted, as -- the deeper you go, but our technology has solved that in the past and it will solve that in the future. But what we need is for the United States government to realize and understand that you can't just start these mines up overnight. Once they're shut down, Mr. Hill, it would take years to get them operating properly. We can't afford to be in that situation. It wouldn't have worked in World War I, World War II, and it certainly wouldn't work in the future, heaven forbid, if any other major wars break out.

So I think all of us are just here today to beg you to take our message to Washington, D.C. You have to impress upon President Bush and his administration, and our Congressional delegation in Minnesota has to convince

their colleagues that we can't abandon our domestic iron ore mines. They're absolutely necessary to ensure that our steel industry remains strong, viable, and able to handle the demands that occur when wars break out and steel is needed to defend our country.

So we're asking you not to abandon us. Help us to keep our mines open and, should the need ever arise in the future, our resources are available to keep this country free.

Members, I'm putting in my written testimony, but let me say one more thing from the heart. Before I got this job, I actually worked for a living. In one of those jobs I was a steel worker, but I also drove a milk truck up in Tower Soudan, Minnesota, and drove a garbage truck over in Buhl when the times were getting tough, and I remember a couple old-timers up in Tower telling me, and kind of being very forlorn about it, that they never got to go and fight in World War II because they had to stay here and work because they were told their jobs were necessary for the national defense.

And so I ask you to consider how important this area is. We're hardworking people; we're proud people. I think we've got the best work ethic in the United States. And when I drove that milk truck and garbage truck, a lot of my friends were losing their jobs for the first time, and some of them have lost their jobs up at the Babbitt mine up there, at the Reserve Mine, lost their jobs again at LTV. We don't want to see that.

We've worked hard. We deserve to be taken care of and make sure that we can keep working here for all of us.

The steel that builds your bridges and keeps our country running strong has to be -- have a domestic ore resource, and we're the ones that have been doing it for five generations. We want to keep doing it longer.

Thank you very much for coming to our area to hear this.

I'll stand for any testimony.

CHAIRMAN HILL: Thank you, Representative Rukavina.

I have one just very quick question. In your district or in your knowledge on the Iron Range here in Minnesota, how many jobs are directly or indirectly dependent on the iron ore mines?

REPRESENTATIVE RUKAVINA: Mr. Hill, I would say there used to be 15,000 steelworkers here, and there is supposedly about 2 1/2 times those jobs that go along with it. I can only tell you this: Former Representative Begich is in the audience. In 1992, when we redistricted and had our new districts, I lost -- I was the biggest loser in the state of Minnesota in population. 8,700 people left my district, and at the time we represented a little under 30,000. It was 29,000-something, and I lost 8,700 people. Representative Begich's district, which was right next to me here in the community, four miles away and went to the east and south a little bit, he lost -- he was second in the state, 7,800 people. And third was Representative Sertich's district over in Chisholm and Hibbing, and I think his was about 6,800 people.

So we lost a whole legislative district right in what I call the core Range, from Hibbing to Tower/Ely area, or not even that far. So, I mean, there is a lot of jobs that were dependent in this area.

Today there is 5,000 or so, a little more before Erie shut down; and how many other jobs go with that, I would venture to say probably 10,000.

Mr. Hill, it is the driving force of this economy, and it's what makes us tick. Some people say we tick a little funny, but we think we're great, so . . .

CHAIRMAN HILL: Thank you.

Do any other panelists have any questions at this time?

Thank you, sir.

REPRESENTATIVE RUKAVINA: Thank you very much, members.

CHAIRMAN HILL: I ask Mr. John Swift to approach the witness table.

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{BOn} TESTIMONY BY COMMISSIONER JOHN SWIFT{BOff}

COMMISSIONER SWIFT: Thank you, Director Hill, for coming to northeastern Minnesota and giving us this opportunity to visit with you. I am happy to see you wearing your 4-H button.

CHAIRMAN HILL: Absolutely.

COMMISSIONER SWIFT: Yours is honorary; mine means that I spent 12 years in that organization, so it played a major part in my life.

I'm John Swift, commissioner of the Iron Range Resources & Rehabilitation Agency. That is a state agency. We are primarily charged with economic development in northeastern Minnesota. More specifically, we focus on trying to create quality jobs, jobs that are a diversification from what is now a very heavily dependent area on mining.

Our efforts are exclusively funded with a production tax on mining, and that is quickly dwindling, right at a time when we perhaps need it the most and we have probably the most opportunity to bring job diversification.

The recent closure of the LTV mine and the announcement of some of the cutbacks that are going to be occurring, it really is an impact. It's an immediate reduction in the revenues available to our agency by about one-third of what it used to be.

A year or so ago, I read Tom Brokaw's book {IOOn}The Greatest Generation{IOOff}, where he paid tribute and gave credit to the people who now are octogenarians in our society. He gave them credit for having saved this country during our world war years and for delivering the foundation for the economy that we certainly enjoy today.

I really enjoyed the book, but I also felt that Mr. Brokaw missed a great opportunity to also give credit to the citizens of northeastern Minnesota. As has been stated earlier, they did a tremendous job in supporting those efforts, and of course I'm referring to the fact that the iron ore that fed the steel mills, that built the warships and the artillery and the tanks, almost exclusively came from the blood and the sweat and the tears of the miners in northeastern Minnesota. A very high percentage of the virgin iron ore units that fed that effort came from an area of about a 50-mile radius of where you are today.

You know, we have a taconite industry today. It's still there producing virgin iron ore units. And your previous question, it employed about 5,700 people directly; that is, until this last announcement of the LTV closure. That was the second largest producer on the Iron Range, and that reduced our people reliant upon mining by a full 25 percent.

Specifically, I would like to talk a little bit about that financial impact that the LTV mine had on this area. It's calculated that it was \$247 million a year. That broke down in the area of wages and benefits of about \$87 million a year. They purchased goods at the rate of about \$131 million a year. That produced royalties to the state as well as individuals of about \$9 million a year, and that also produced about \$20 million worth of taxes.

Those tax revenues that our agency will no longer enjoy has an impact on our agency to the tune of something close to \$30 million over the next three years. So I think you can imagine if you take \$30 million out of an economic development area for an area about the size of West Virginia, you can understand what an impact that's going to have.

You know, with the circumstances of steel prices today and thinking about that idle, that shuttered LTV plant, we fear that the highest and best use of that plant today just may be salvage, it may be scrap. And the question really is: Will we ever find anyone who has the courage and the backing to raise the kind of capital that would be necessary, something close to a billion dollars, to resurrect mining in that area, an area where there is several decades of work that could continue to be done?

With the LTV closure, Minnesota's taconite production has fallen by a full 20 percent. Now, the remaining producers, in my opinion, stand on a rather shaky ground. Who knows what might tip that in the wrong direction? If it does happen and the rest of this industry falters more, what we will see is that we will turn to rust, and then we will turn to salvage, and there really will be no hope for bringing back this infrastructure that is so important.

About 30 years ago today, I went out on the road as a sales rep for the very first time, and at that time I paid 23 cents a gallon for fuel. Not too long ago, just a few weeks ago, I filled my automobile and paid \$1.87, and I say this to suggest that, like petroleum, when our country becomes dependent on the foreign countries to provide us with our steel industry, first we're going to become dependent from the standpoint of iron ore, and then totally dependent with regard to steel. That will be the time when the backbone that has built this country will begin to fall apart: the bridges, the buildings, the machinery that has really been the backbone of this country.

The infrastructure for mining in northeastern Minnesota will be gone, and I'm sure that the investing public will have no appetite, given the condition of steel today, to provide the billions that it would take to resurrect that industry.

You might ask what country or countries might be a formidable future adversary, and I suppose some might say it could be China. I want to point out to you that China already exceeds the United States in steel production at about 130 million tons a year, and they're expanding on a regular basis; and we all know that there is no threat from foreign countries to that country as far as steel production is concerned.

When you look at the combined production of Japan and the European Union, the former Soviet Union and that bloc, over 500 million tons of production a year come from those areas, nearly -- well, exceeding four times as much as our U.S. production.

Brazil is one of the largest producers of iron ore in the world, and they're right here at our back door. I am sure that Brazil would have no compunctions about -- I don't want to say holding this country hostage, but at least exercising a major penalty for purchasing our iron ore from that country.

Is our national security threatened? I really think that the answer has to be an unequivocal yes, and it begins right here in Minnesota. All of the mines, with the exception of one here, are owned by steel companies. Those companies are on the verge of collapse, as you all know, with the number of bankruptcies that have been -- have happened in the last couple of years; and I would submit to you that when the wolves are at the door, the last place the steel company is going to want to make a reinvestment is at the mine site.

So I guess in conclusion, my warning to the Washington establishment, if you will, is to really keep your eye on mining in Minnesota, and when you see mine closings beginning to be announced, you will know that it will perhaps be at a point where it will be too late. That will signal the beginning of this country's total dependence on foreign countries, and to my way of thinking, that will lead to a major breach in our national security.

Thank you.

CHAIRMAN HILL: Thank you, Commissioner Swift.

I do have a number of questions, and the other panelists may as well.

We were particularly interested in meeting you today and hearing from you as the person in charge of economic development. Could you outline some of the actions you've undertaken in your office to support economic development in the Iron Range territory to support the Iron Range industry in general? And then specifically if you have any suggestions or ideas -- and you may not have any today. I may be putting you a little bit on the spot. But we would be interested in hearing from you, before the August 17 deadline, of any federal

intervention or help that you think would be appropriate to support your efforts.

COMMISSIONER SWIFT: Yes, I appreciate your questions.

With regard to the activities of this agency, it has a long history of being involved in economic development, and with varying degrees of success. We've had a number of good things happen of late, and yet it's never enough.

When you try to replace an industry where people's average salaries may be in excess of \$50,000 a year -- and I don't begrudge them a dollar of it. If you've ever been in a mine and worked there, you know that they earn every penny of it; but when you go out into the rest of the world and try to find companies that can pay a salary commensurate with that, it's a bit tough.

Nevertheless, we have had some real successes. Northwest Airlines came to this part of the state a few years ago and created several hundred good jobs. We've had some recent successes where a company from Arlington, Virginia, moved -- didn't move, but expanded from Arlington to Ely, Minnesota, creating some quality jobs.

We have in our pipeline a good, impressive list of companies interested in coming this direction. As you know, there is pressures -- even with our downturn in the economy, there is still pressures on employers in metropolitan areas to try to find quality workers to try to reduce their turnover rate.

We enjoy up here a work ethic that is second to none. We also suffer a little bit from what is considered to be underemployment. The people here are very well educated and are good, hard workers, and we have something to offer to businesses that need to expand, and they need to do something about turnover.

With regard to the future, we still rely on our natural resources as being the backbone of the economy of this area, and so it is vitally important that we give the protections necessary to keep this mining industry alive and well; and so this action of -- possible 232 is a great step forward. We would also want the administration to take a look at the Section 201 as well.

I just returned a few weeks ago from a world conference, steel conference, in New York City, where there were representatives from China, Japan, Australia, Brazil, all the European countries, all of them very, very nervous about Section 201. And after about a day of meetings, one speaker stood up and said, you know, "This is just an investigation. You have nothing to worry about. You have nothing to worry about, so why be concerned about it?"

It appears as though there certainly are latent actions where steel is being dumped at prices below what it cost them to produce it.

CHAIRMAN HILL: Any other questions?

MR. WOODS: Yes.

Mr. Swift, we've heard from our earlier presenters that the infrastructure is so critical beyond the mines themselves and the skills and talents and expertise of the employees in the mines that it would lose two, two and a half times the multiplier effect in terms of the number of jobs in the community. Could you just give perhaps two or three examples of some of the infrastructure that might be lost with such plant closures?

COMMISSIONER SWIFT: Infrastructure that could easily be going away, let me use the LTV site as a possibility. At the LTV plant, obviously there is the processing plant there, but there is also a powerplant. There is a railroad that takes the taconite down to the harbor. With this particular property, the railroad ties underneath the rails are leased. When that railroad is taken apart, we lose some of the infrastructure to move our steel down to the Great Lakes.

As this further develops, as far as the threat to mining is concerned, we have a whole shipping situation. You're going to hear later from Davis Helberg about Duluth and about the shipping industry. That's another infrastructure that certainly will go away.

But I think one of the things that's being hurt the most right now is our group of vendors in this area. There is a substantial number of vendors who rely on their sales to the mining industry, and when I said there were 5,700 workers prior to LTV closing, that represented another close to 16,000 people in Minnesota whose jobs are indirectly dependent upon mining. We know that they represent about 200 communities all over Minnesota, and we don't have 200 communities in the northeast, so it's pretty much a statewide issue.

CHAIRMAN HILL: Thank you.

MR. THOMPSON: Mr. Swift, you said that the iron ore mines are mostly owned by steel companies. Would you say that the challenges of the iron ore mines are reflective of the larger steel industry or are those companies, the challenges of those larger companies, are imposing shutdowns, et cetera, because of larger issues, or are they specific to the iron ore mines?

COMMISSIONER SWIFT: Well, I think it all plays a part in it, but I know that, you know, when you start looking at this whole issue of mining and the price that -- what it costs, this industry has gone through many, many years of trimming their costs, trying to improve their productivity, and I think they've done a wonderful job.

When you heard Representative Rukavina talk about how many people used to be in the mining industry and how many there are today, that's just indicative of what they've gone through in the way of trying to become as productive as they possibly can.

We have, on the other end of it, the situation at the steel plants. One of the things that we've seen happen is that we used to exclusively be -- or I shouldn't say it that way, but almost exclusively be dependent on blast furnaces, and there has been a change in that industry where electric arc furnaces have come into play. That has had some impact on the ability of some of the mining companies to survive. In other areas, it's helped them to broaden their markets.

CHAIRMAN HILL: Thank you, Commissioner Swift. With your indulgence, we would like to stay in touch with you. We think you have a wealth of information that will be important to us. We're particularly interested in following up with you on economic development options and possibilities as well as federal interventions. So we'll be in touch with you. Thank you, sir, for your testimony.

COMMISSIONER SWIFT: Thank you very much.

CHAIRMAN HILL: At this time I would like to ask Commissioner Tinklenberg from the Minnesota Department of Transportation to address the panel.

Sir.

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{BOn} TESTIMONY BY COMMISSIONER ELWYN TINKLENBERG{BOff}

COMMISSIONER TINKLENBERG: Thank you, Mr. Chairman and Members. My name is Elwyn Tinklenberg, and I'm a commissioner of the Minnesota Department of Transportation; and on behalf of the Ventura Administration, I want to add my welcome to all of you to Minnesota. Also, thank you for this hearing today and for the opportunity to appear before you to discuss the effects of imported iron ore and steel products on our national and economic security and on our domestic manufacturers.

The Ventura Administration believes that it is important to have a strong, secure, reliable steel industry in America, and it is a critical component of our state's economic vitality; and to that end, the governor sent a letter to President Bush calling for a 201 investigation last March 14.

A strong domestic steel industry cushions our economy and our security from the volatility of the international steel market, as we have seen in the recent past, and provides important living-wage jobs to working people in Minnesota.

I want to address several areas of concern regarding this issue as it relates to my agency's mission to provide safe, efficient transportation for our residents and our state's economy, and I believe that these are consistent with other DOTs across the country and other government agencies who are involved in transportation.

First of all, it is critical that we have reliable and available sources of steel for bridge structures and associated road projects. Today's demanding transportation improvements, especially given the length and level of service we expect from them, requires steel that meets high quality standards. The DOTs build a variety of bridges, and steel construction is an important engineering option, especially in complicated alignments with curve structures and in confined urban areas.

High-quality steel is an important component of our concrete structures as well. For Minnesota, the only mills supplying steel plate for large steel girders are U.S. Steel and Bethlehem Steel, both of which have a direct connection to the iron ore industry in our state. We need these mills viable, modern, and available to meet our construction needs.

Nationally, bridge repair and replacement will dominate transportation funding needs as many of these critical structures are reaching the end of their useful lives. In Minnesota, we have approximately 4,700 bridges on our trunk highway system alone, with over 450 being structurally deficient or functionally obsolete and in need of replacement; and, Mr. Chairman, that percentage is low by comparison to other states around the country.

It is fair to say that the bridge structures of the future will have to have even longer useful lives than those in the past due to the tight funding constraints and the increasing demands most DOTs are facing. High-quality and high-technology steel components are becoming increasingly important if we are to build structures with longer lives.

The state DOTs, several University research programs, and the steel-manufacturing industry are continuing to develop the next generation of construction steel that weathers better, is more corrosion-resistant, and meets tougher fatigue standards. For these efforts to continue, they must take place hand in hand with a strong domestic manufacturing industry.

In terms of overall steel consumption, the public sector uses a relatively small amount of the steel produced; but in terms of steel produced specifically for bridge construction, the public sector consumes nearly 100 percent of the output.

Public agencies that use federal funding for projects are subject to buy-American requirements, including those related to steel. In the recent past, there have been delivery problems directly associated with mega-projects consuming the majority of domestic production.

In 1997, Congress passed the Transportation Efficiency Act for the 21st Century, and a significant influx of transportation dollars and construction resulted. The DOTs are working hard to deliver on the promise of that increased investment by streamlining their processes and focusing on delivery.

We continue to look to Congress and the administration to help us increase the pace of project implementation, but in many instances steel fabricators cannot keep pace with this increased demand, resulting in the delay of construction projects.

In our experience, it takes about six months from the time of letting bids on bridge projects to the delivery of the steel. Given the short construction season in Minnesota, this is significant enough; however, if the domestic industry disappears, it is our view that foreign producers' ability to deliver steel in a timely manner to meet construction schedules such as ours would be even more problematic. Additionally, costs to states to have the quality of steel certified by our inspectors would increase significantly, as worldwide travel would be required.

If we continue to see pressure from imports on domestic manufacturers, cost issues will continue and the delivery times will be extended due to demand.

We are fortunate to be able to buy most of our steel in the Midwest from fabricators in Wisconsin, South Dakota, and Colorado. In the not-too-distant past, we had four fabricators of steel bridges in the Twin Cities. Now we have none. We hope this trend does not continue throughout the Midwest, obviously. If it does, delays will increase and the economic competitiveness of this part of the country will be threatened.

A strong, viable, secure domestic steel capacity is critical to the transportation interest and industry and the economic vitality of the state of Minnesota.

There has been a lot of talk about building a bridge to the future. Mr. Chairman and Members, that's going to be a shaky structure indeed if we can't build it domestically.

Thank you.

CHAIRMAN HILL: Are there any questions from the panel?

Thank you, Commissioner.

At this time I would like to ask Director William C. Brice, who is director of Minnesota Department of Natural Resources Division of Lands and Minerals, to testify.

Sir.

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{BOn} TESTIMONY BY WILLIAM C. BRICE{BOff}

MR. BRICE: Director Hill and panelists, my name is William C. Brice, and I'm speaking on behalf of the Minnesota Department of Natural Resources in place of Peter Clevenstine, who is an outstanding member of our staff. I'm also the director of the Division of Lands and Minerals here at DNR.

I've worked with the iron ore and taconite industry since 1970, and I have both written testimony and two attachments that I think you've already received or will receive that we would like included in the record.

CHAIRMAN HILL: They will be.

MR. BRICE: Thank you. My testimony is to encourage the Department of Commerce and the Bureau of Export Administration to take actions to control the amount of iron ore and steel slab imports entering the United States so that a viable domestic iron ore industry can exist.

Iron ore is a basic raw material necessary to industrialized nations. Imports today are threatening the survival of this basic industry.

Minnesota has vast iron ore reserves. The USGS has reported Minnesota's crude iron ore reserves at 9 billion tons, or about 90 percent of the U.S. iron ore reserves. Let me just repeat that. That's 90 percent of the U.S. iron ore reserves. I think that's really important to what we're dealing with here today.

The state of Minnesota owns about 20 percent of the mineral rights across the Mesabi Range. The Department of Natural Resources Division of Lands and Minerals is responsible for managing mineral development on these lands. The Minnesota DNR is the trust agent ensuring equitable rental and royalty income for the state's school university trust funds, local communities, and the general fund.

State and mineral lease revenues for the past 10 years has averaged about \$6.7 million per year and have benefitted the local communities, schools, counties, university, and also the general fund.

Competition from iron ore and steel slab imports has had a very significant impact on the state royalties as well as jobs and communities. Two examples of this are, first, the closure of LTV Steel Mining Company, where 1,400 workers lost their jobs; and second, the state's recent 15 percent across-the-board royalty reduction.

LTV -- let me speak about LTV Steel Mining Company. LTV Steel Mining Company mined a substantial quantity of state ore, and their closure has resulted in a significant loss in income. In their last full year of production, they paid \$2.9 million in mineral royalties. The majority of that revenue was distributed to school districts, the county, and to local communities. LTV Steel Mining Company's annual state royalty payments have been as high as \$6 million per year.

The second example of Minnesota's loss of royalty income is the state's 15 percent across-the-board royalty reduction. Based on the Department of Natural Resources' recommendation and that the taconite companies in Minnesota are facing economic losses and intense competition from imports subsidized by foreign nations, Minnesota approved an across-the-board 15 percent royalty reduction to the state's iron ore and taconite lessees for one year. The royalty reduction was intended to aid the survival of the taconite industry.

The average cost savings for crude ore mined from state properties through the state's royalty rate reduction is approximately 26 cents per long ton of pellets; and if you think of the cost value of a ton of taconite pellets is about \$32, and it's been in that range for maybe the last five or six years, 26 cents doesn't sound like a lot; but in this competitive environment, it's very important.

The revenue impact for the one-year royalty reduction is a loss of \$1 million to the school trust fund, \$750,000 to the University of Minnesota, and about \$50,000 to the tax-forfeited lands. This is the state's first across-the-board reduction in Minnesota's more than 100 years' history of iron ore production.

Minnesota also has a long history of financially supporting research programs to promote mineral development. Our goals have been to help reduce costs and improve product quality. For the last 15 years, the DNR has managed three programs: Iron Ore Cooperative Research, Environmental Cooperative Research, and Mineral Diversification. Minnesota and the Department have supported value-added processing also to produce new products, such as iron nuggets, pig iron steel slabs, and flat-rolled steel.

The imports of iron ore and steel slabs to the United States have severely impacted Minnesota and the Iron Range. Minnesota and the Department of Natural Resources are doing everything they can to help this industry survive through these very tough times. The federal government, since the U.S. Bureau of Mines was closed, has not strongly supported these activities, and we believe that renewed federal support is essential.

Our concern is that the amount of imports need to be controlled at non-fire-sale prices so a viable iron ore industry can continue to exist in the United States. Iron ore is a basic raw material necessary to an industrialized nation.

Without federal support, 90 percent of the United States iron ore reserves and the associated economic activity could disappear. If this is allowed to happen and the current infrastructure is lost, a future start-up would be nearly impossible. The resource, capital investment, the supplier network, the transportation systems, the energy supplies, and a highly skilled workforce are available today and are irreplaceable.

Thank you very much for this opportunity.

CHAIRMAN HILL: Thank you, sir.

I just have one quick question, sir. You said since the Bureau of Mines closed, federal support has been lacking. What recommendations would you have us take into consideration for what federal support should be?

MR. BRICE: Mr. Chairman, I think federal support in the areas of improved product quality and cost production would be very useful. We believe federal support through programs like clean coal to produce improved iron materials such as iron nuggets or pig iron would be an area that could be very helpful.

We believe there is potential for using large amounts of low-grade iron ore that's up here that's beyond the 900 billion I mentioned. That would continue to provide us a long-term supply, and we think that could be helpful, too, with some of these new steel-making technologies.

CHAIRMAN HILL: Any other questions from the panel?

MR. VACCARO: Mr. Brice, could you elaborate a little more on some of the research programs that your department has undertaken at this point, such as processing technology you see on the horizon that will help in the industry?

MR. BRICE: Sure.

As you probably know, the research programs in Minnesota started many years ago when the iron ore taconite process was originally developed at the University of Minnesota. We followed that through for years and years. Most recently, through our Iron Ore Cooperative Research Program, we did some of the early work to develop flux pellets. Flux pellets improved the productivity of the blast furnace.

More recently, we've worked with companies on various ways to improve their efficiency in their plants, to modernize their control technology, to a model of things that go on in their furnaces to determine if they're being optimized, those kinds of things.

All of these programs that we work on are generally cost-shared. We share the cost with the companies, and we try to see that those new innovations that are developed, are developed -- moved into the plant quickly so that we will continue to be competitive.

CHAIRMAN HILL: Thank you, Mr. Brice.

At this time I would like to call Mr. Patrick Garrity to the witness table. He is the acting mayor of Hibbing. He's standing in for Mayor Lolich. And I guess I will excuse her. Evidently her daughter is presently giving birth, so that's an exceptional excuse.

Sir, we welcome you as the acting mayor.

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{BOn} TESTIMONY BY PAT GARRITY{BOff}

MR. GARRITY: Good afternoon. As we speak, she may be becoming a grandma again.

CHAIRMAN HILL: We wish her the best.

MR. GARRITY: Thank you.

Thank you for the opportunity to testify in regards to the problems facing the Iron Range and the steel industry and the impact it has on local government. My name is Pat Garrity. I'm the elected city clerk-treasurer for the city of Hibbing, a city with a \$13 million annual budget that provides services to approximately 17,000 people in an area of 186 square miles. Two of the Iron Range's six taconite plants are in the city of Hibbing, and the cost, the impact I speak of, needs to be multiplied in order to understand the full impact that the unfairly priced foreign imports have on northeastern Minnesota communities, the state, and the nation.

Hibbing is known all over the world as a site of the world's largest open mine, as a site where millions of tons of iron ore were mined to produce the resources needed to produce steel for the entire United States; not only for its war efforts, but also in the construction of every conceivable steel product that every governmental unit, business, citizen buys and consumes.

I was a city clerk in 1980, when Butler Taconite, a plant 12 miles west of Hibbing employing approximately 700 people, closed down. It was torn down and had devastating effects on many businesses and also many cities.

In 1980, prior to the closing of Butler Taconite, the city of Hibbing had a population of 21,000. Since that time, we have lost 4,000 people. During that time period, the taconite industry decreased from approximately 15,000 workers to about 6,000. That was prior to the shutdown at LTV. That created an additional loss of 1,400 direct jobs.

In the 1980s, steel imports were at a record peak, having increased to in excess of 30 percent till the federal government finally stepped in to help stop the devastation of the industry on the Iron Range that is so vital to our nation's security.

Even with fewer people, public safety needs increased due to additional stress created by the increased unemployment in our area.

The cost of maintaining needed water systems, sewer systems, public safety facilities, and services are increasing in spite of the fact that there are 20 percent fewer citizens. As a result, the city has reduced its police, fire, and public works department by more than 20 people. There is only so much downsizing that you can do without destroying the infrastructure capabilities of any city. In the big picture of U.S. security, America needs these plants protected by fire departments, secured by area police protection, manned by its own qualified employees who have been trained at high-quality educational facilities, but all of these public services need to be paid for by somebody. Local costs in 2001 for the Hibbing police is \$1.9 million, fire department is \$1.5 million, public works is \$2 million.

Steelworkers and mining companies have always been ready and willing and able to pay these costs even during layoff periods. Mining production taxes only will exceed \$2.1 million in 2001 in the city of Hibbing. And I really need to emphasize that. \$2.1 million of our \$13 million budget is coming from the mining production tax.

The steelworkers were paid the wages that can afford to keep the needed services in the city going, but in a community with a high percentage of retired citizens, the tax burden would be unbearable. If steelworkers and their related industries are not there to help pay, these services will diminish drastically.

Imports that are sold to this country at less than the cost of production of taconite are creating a cutback of mining industry, layoff of employees, and the out-migration of the qualified employees. This creates a situation where the balance of the community, mostly retired people, are forced to have the cost of services increased, taxes increased, public safety and ambulance service run at a reduced level, and thus making the area very unstable. It's a vicious circle.

With the cutbacks in mining, there are layoffs in support industries, a reduction in local taxes paid, yet at the same, the costs continue to rise and the needs for government services increase and their importance is magnified.

This area is in a state of crisis. We can either shut down and depend on foreign imports even in a time of crisis or war, or we can stop the illegal importing of foreign ore and foreign steel. The decision seems to me to be very obvious.

You cannot resurrect the infrastructure of these facilities if you allow them to be shut or torn down.

We live in an age of minutes and seconds, not months and years. The highly qualified people have left the area, just as thousands did in 1980 with the closing of Butler Taconite. It will be too late, and our country will be dependent on foreign imports.

When I was young, I was told by my father, who is a disabled World War II veteran who eventually died from his disability, that this area was targeted by missiles from foreign countries because this area was so crucial to providing the resources that were needed to produce war materials. He always emphasized that we must protect the area producing so that America could produce and be protected.

The irony is, if the industry doesn't get help and the rest of the country doesn't care, we don't have to worry about missiles. Our own government will allow the deterioration to happen on its own, since the city of Hibbing's taxpayers certainly will not be able to maintain fire protection and the

security needed to maintain the taconite-producing infrastructure we currently have.

This area has also maintained a strong educational infrastructure, strong schools, high standards, a good working -- a good, strong work ethic, pride in community, state, and country. This was instilled in us by our parents and grandparents. We are at a fork in the road. Our people have stood and led the country, and we are being unfairly treated by allowing foreign imports to destroy our industry.

The people in the production of iron ore and taconite in this area have benefitted the entire nation, and it is time for the rest of the country to support and protect our steel industry. It's just time to say no, we will not allow foreign imports to threaten our national security.

America needs steel, and if we do not protect the mining industry, this area will not have the skilled labor available and the facilities needed to produce the quality taconite needed in the event of -- in an efficient and timely production process. Otherwise, we will be at the mercy of foreign nations to import resources in a time of crisis in the future.

A strong taconite industry and a strong steel industry are crucial to our national security.

Thank you for allowing me to testify at this hearing.

CHAIRMAN HILL: Thank you, sir.

At this time I would like to call to the witness table the Honorable Marlene Pospeck, mayor of the city of Hoyt Lakes.

Madam Mayor, welcome.

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{BOn} TESTIMONY BY MAYOR MARLENE POSPECK{BOff}

MAYOR POSPECK: Chairman Hill, gentlemen, good afternoon, and thank you for coming to the Iron Range and allowing us to express our concerns about the United States steel industry.

As mayor of Hoyt Lakes, I can attest to the devastation resulting from the closure of the LTV Steel Mining Company on my community and, in fact, on the entire Iron Range. The closure of this taconite processing plant has displaced 1,400 skilled workers and can be attributed directly to the importation of iron ore pellets and semi-finished steel slabs.

This devastation is spreading throughout the steel industry as more and more plants are forced into bankruptcy because of unfair dumping. In fact, the entire steel-making structure in the United States is in jeopardy.

In my testimony here today, I would like to make three points.

First, an awful lot has gone into building our capacity to support the taconite industry. This is not something that could be easily re-created if we were to let the taconite industry go under now. The people who have labored in the iron mines of northeastern Minnesota are carrying out a century-old tradition. These people have developed the skills necessary to produce a quality product, and because of a world market that encourages unfair labor practices, this reliable and skilled workforce is being dispersed into other industries; and I must say, it would be very hard, once this workforce is dispersed, to collect them all back together again to once again revamp a failing taconite industry. If a national emergency should occur, consider how much time and education it will take to develop workers to replace those that we are losing today.

Our physical infrastructure such as roads, bridges, railroads, power and energy, and shipping capabilities are all vital to our national defense. Without a strong, viable domestic steel industry, our ability to construct and maintain these structures on a nationwide basis is critically compromised.

My second point is that it is inconceivable that this country should have to rely on imported steel in a time of national emergency. Once we've allowed our domestic iron-mining and steel-making capabilities to deteriorate, I feel it

will be next to impossible to ramp them up again in the face of any national emergency. We are creating and, in fact, encouraging a devastating scenario where the United States no longer has the ability to maintain its position as a world power; and worse, will no longer be able to mount a defense should we come under attack.

How can we expect to produce the armaments critical to our national defense if our domestic steel industry disappears? Can you imagine how devastating it could be in a time of national emergency or even in a time of world uncertainty for this country to be dependent on other countries for goods that are essential to our national economy and to our national defense?

Thirdly, permitting our taconite industry to die is demoralizing to communities far beyond the effect on individual workers and their families. I feel that a demoralized, poorly educated population is perhaps more devastating to our country's national defense than anything I've cited before. Communities throughout the United States whose livelihoods have depended upon iron mining or steel-making will no longer contribute to the national economy.

As plant after plant and mine after mine is closed, so shall crises occur. Educational systems will be impaired. People will begin to lose hope.

As we begin to feel these effects here on the Iron Range following the LTV closure, I know firsthand how entire communities can become destabilized almost overnight.

So I am here today to plead with you to consider how a strong and healthy taconite industry translates into a strong and healthy steel industry, one that can keep the United States a strong and healthy country.

Thank you.

CHAIRMAN HILL: Thank you. Thank you, Mayor, for your thoughtful and heartfelt testimony.

I would like to call to the witness table at this time Ms. Samantha Grippe, a recent high school graduate. Thank you.

As she's preparing, I should say that during the comment period, we received from Minnesota and from various school districts in the state many, many submissions from students who had been given a civics project to write on this, and -- Senator Wellstone.

(Senator Wellstone recognized the presence of State Representative Greg Gray from north Minneapolis and former State Senators Jerry Janezich and Ron Dicklich.)

CHAIRMAN HILL: Ms. Grippe, congratulations on your recent graduation from high school.

MS. GRIPPE: Thank you.

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{BOn} TESTIMONY BY SAMANTHA GRIPPE{BOff}

MS. GRIPPE: Good afternoon.

I have always been taught that my future depends on one person, and that person is me; however, no matter how badly I want to believe that, I can't, because I wouldn't be standing here today, or sitting here. The truth is that my future tomorrow depends on what happens today and was affected by what happened yesterday. It is for this reason that I sit before you, for my future and for the futures that are to follow.

With that said, let me introduce myself. I am Samantha Grippe, a Biwabik resident all my life and an Iron Ranger through and through. I've recently graduated from Mesabi East High School in Aurora, and I'm currently enrolled as a Maverick at Minnesota State University in Mankato this fall. In less than four years at Mankato, I hope to have my bachelor's degree in the arts with a major in photography and a minor in mass communications.

My family has always been on the Range since my great grandfather immigrated here. My father grew up in the house next to ours, and my mother only five miles away. Both of my grandfathers are retired miners, and so are

most of my uncles. Their families were all supported by LTV, as was mine. I stress the "was," because after 27 years working at LTV, my father, a train operator, was laid off.

My father may have lost a job, but it was the ripple effect that really hit my family hard. Because of the mine's bankruptcy, the business my mother worked for had to make cuts. My mother's position was considered unnecessary, and she lost her job, this leaving both my parents unemployed, me starting college in the fall, and my brother only two years behind me. It is because of these things that I requested to speak today.

As I said earlier, I am a graduate of Mesabi East High School, so I can say from personal experience how good our school systems on the Iron Range are. In my opinion, they are comparable to any other. Our schools produce the Range with its future. They strive not just to teach skills, to pass with high grades and get through; they prepare us for success. They push our skills to be the best at what we are doing. It is for this reason that we have possibly the best music departments in our state, and our industrial tech classes are turning out skilled workmen right from high school. From high school.

I believe the stubbornness and persistency in our ancestors' European blood that built these towns from the ground up is still running through the veins of the Iron Range. Our ancestors wanted nothing more than to educate their children and to see them be successful. It's funny how some things don't change. Our education systems still strive for that stubborn perfection they did 100 years ago. They now find new ways, better ways to educate.

For instance, two options offered to our high schools are cooperative classes and the post-secondary education option. The cooperative classes allow students from one school district to take technical classes at another if they are not offered what they need or what they want. If their high school doesn't offer a class, he or she can take classes elsewhere. The PSEO option is another option that allows high school students to take college classes for college credit while in high school. I personally was able to take advantage of the PSEO option my senior year.

Our districts are always striving for better. With these options, high school graduates are at the levels of college sophomores. Our futures look bright; bright ideas, and exceptionally bright graduates to run and make them reality.

I'm sure you've heard all of this before, but do you really realize what important role the Iron Range school districts play in the taconite industry? Because in all honesty, I didn't. I've always known we were important, but not how important.

I now realize that without our school systems, we would not have a taconite industry. We are the only districts that teach skill-specific classes that train people to run our mines. We specifically have development classes that are only for mining industries. Without these skills, we would only have book-smart graduates trying to run our industries, and the thought is horrendous.

If we lose our taconite industries, we lose the Iron Range. Our towns built up around these mines, and I believe that if our mines fall, so will the towns. There is no industry in this area large enough to support the Iron Range like our mines have. Our schools depend on direct taconite-production taxes for funding, and without it, our districts would lose funding, our student populations would fall, and our currently bright future would become nothing more than a dim hope.

Already we see LTV's effects showing in our school systems. Mesabi East, for instance, has made drastic cuts to their music department, the industrial tech department, and the arts department. Mesabi East is not the only one making cuts, though. If we lose our taconite industries, we will have no need for or

the money to keep our skill-specific training that we depend on, and we will lose all of our skilled workers.

It took our ancestors generations of stubborn blood and hard will to build the education system that I am glad to be a part of today. It would be a terrible shame to see so much persistence in caring for our futures go down. It is something that can never be replaced.

I worry not only for the future of the Iron Range, but also for the future of our nation. If we lose our educational system today, who knows what trouble we set ourselves up for tomorrow? In the case of a national emergency, we would neither have the time nor the skills to replace the education and skill-specific training needed to run our taconite mines. The hurt would be greater than one nation could bear.

So, you see, our educational systems on the Iron Range depend solely on the success of our taconite mines; and ironically, our taconite mines depend on the success of our education system to turn out skilled and able workers.

It baffles my mind when I think that my future and the future of one of the biggest producers of taconite in our nation depends on the decisions of a few.

Thank you.

CHAIRMAN HILL: Thank you.

Now I would like to ask Marvin Lamppa to please come forward and testify.

Mr. Lamppa.

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{BOn} TESTIMONY BY MARVIN LAMPPA{BOff}

MR. LAMPPA: Thank you, Mr. Hill and members of the panel, for giving me this opportunity to testify on behalf of the iron ore industry in northeast Minnesota. The topic of my presentation deals with the impact of domestic ores on America's capacity to produce steel during World War I, a time of grave national emergency.

It's been said that when war came in 1941, it came both as a surprise and it was expected. It was expected in the sense that newspapers, radio, shortwave had alerted the American public to Nazi and Fascist aggressions in Europe and advances of Imperial Japan in Asia. The expectation grew when the President of the United States approved a bill for a two-ocean Navy, enacted the peacetime draft, and called on American industry to retool for war in a production effort that would make this country the great arsenal of democracy.

Yet, when it happened, it was a surprise. Seemingly without warning, in the early-morning hours of December 7, 1941, Japanese naval and air forces began a two-hour attack on our United States fleet at Pearl Harbor. When it was over, 19 ships had been sunk or disabled, five of them battleships, 150 planes destroyed, and over 2,000 lives lost. For many, the surprise came from the ease with which an enemy was able to penetrate our defenses and how vulnerable this nation seemed to be.

There were reasons to feel vulnerable. We were far from being the strongest military power in the world. In fact, in 1940 when the Dutch army surrendered, the United States moved up to 19th place on the scale of world military powers. The list of active soldiers and reservists was barely a half million, our tanks and guns were outdated, and most of the planes we had were too old for active service, and it was rumored that there were no more than four up-to-date anti-aircraft guns in the entire country.

However, in 1941, I suggest to you the United States was in better shape to fight a war than it had been in 1917 or at other times in history, and the reason was, we had in place and operating, all within the borders of this country, a steel-making infrastructure that was complete in every detail from the mill to the mine. It consisted of the iron mines in Minnesota and Michigan, the so-called Lake Superior Mining District. It consisted of a system of railroads to bring the ore to the docks and the lake. It consisted of a fleet

of 291 freighters, ore freighters, on the Great Lakes to bring the ore down-lake to the steel mills.

It was a system that had worked for a long time. For over a half century, iron ore from Michigan and Minnesota had been flowing steadily to the open hearths and blast furnaces of the East. If there was a question as to whether this system, which was tried and tested, was enough to meet the needs of worldwide war, it was quickly answered.

There might have been a time when military leadership and manpower, courage, patriotism, and daring had decided the outcome of wars, but in 1941 this wasn't the case. It was the side with the biggest and best-supplied factories that had won the wars of modern history, and the factories in Germany and Japan and Britain and the United States were some of the biggest in the world; but only factories in the United States had a supply of iron and steel they could rely on. To add to this, lend-lease and the big defense appropriations of 1941 had jump-started our economy and given a certain number of our factories a running start.

Within months, war production rose. From July 1940 to December 1941, even before the war began, the United States had produced 1,341 naval ships, 136 merchant ships, 126,113 machine guns, and 4,258 tanks; the following year, over 8,000 naval ships and over 700 merchant ships and 666,000 machine guns, along with almost 24,000 tanks, rolled off the assembly line, and at the same time, production in the United States of steel rose from a low of around 28 million tons to almost 89 million tons in 1943.

In comparison, the combined steel-production capacity of Germany and all other Axis nations in 1943 was estimated to be 51 million tons. But while our sources of iron and steel were located entirely within our country, Germany had to meet its production needs by importing iron ore through the Swedish port of Lulea.

Meanwhile, Lake Superior iron mines, particularly in Minnesota, were able to respond quickly after a slow shipping season in 1938, when less than 15 million tons of ore went to the mills. In 1939, Minnesota shipments, which made up over 60 percent of all the ore received at the mills that year, amounted to 33,829,000 tons. Over 30 million came from this Mesabi Range alone, and Minnesota iron ore shipments continued to rise: almost 49 million in 1940, over 64 million in 1941, and over 75 million in 1942.

Never before had so much ore been mined. Never before had so many guns, tanks, and ships rolled off the assembly lines.

The major factor in the rise of Lake Superior ore shipments was the Mesabi Iron Range. Out of the 75 million plus tons shipped from Minnesota in 1942, 70,280,000 came from the Mesabi Range.

There has never been a mining district like it anywhere in the world. Its soft, rich hematite, first shipped in 1892, had formed in broad pockets just under the ground and were easily mined with steam and electric shovels. Hundreds of these pockets dotted the iron formation, an iron formation 10 miles wide, five to seven hundred miles thick, 100 miles long, composed mostly of taconite, a hard gray rock containing 20 to 35 percent iron.

According to Edward Wilson Davis, the man who perfected the successful way to turn this rock into iron pellets, "there is more iron locked up in the Mesabi's taconite formation than in all the hematite mines that ever existed in the Lake Superior district."

That statement was made in 1954, but it was hematite in 1941 and the quick actions of the mines that allowed the construction of war production plants to be under way as soon as the war began. Already in December 1941, shortly after the attack on Pearl Harbor, in a cornfield just outside of Detroit, there was already a Chrysler Tank Arsenal ready to turn out 100 tanks a week; and just up the road, at Willow Run, a skeleton of steel girders marked the beginning of what was going to become the largest bomber plant in the world.

By January 1942, tanks instead of cars were rolling off the production lines in Michigan, and Boeing air plants in Seattle were tooled with Great Lakes steel, and iron from this area -- from the Great Lakes was going to electric furnaces in Pittsburgh, which were sending alloy steel to factories in Ohio.

In 1943, mobilization of the nation's resources came under the direction of the War Production Board, and in the Mesabi Range mine inspector's report for that year was this citation:

From the WPB came this citation early in the season: "While it has been physically impossible to award a symbol of merit to everyone concerned, the War Production Board wants all those connected with iron ore, lake vessels, and serving railroad industries to know of its deep appreciation for their unique accomplishment for the war effort"

History's view of the role of iron and steel in America is clear.

According to historians Samuel Elliot Morison and Henry Steele Commager,

". . . In 1942 the curve of production rose sharply . . . American industry produced not only enough material and weapons for the United States, but supplied the deficiencies of the Allies besides Britain, who receipts were not few -- many thousands of planes, over 100,000 trucks and jeeps, 6 million tons of steel, a billion dollars' worth of ordnance. Stalin, at the Teheran Conference in December 1943, remarked that 60 of his mobile armored divisions, which could be shifted rapidly from place to place on Russia's extended front, constituted his margin of superiority over the Germans; but it is doubtful if they could have been moved except in trucks from America."

CHAIRMAN HILL: Thank you, sir.

At this time I would like to call our last witness for the first panel, Michael Kuopus. Please approach the witness stand.

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{BOn} TESTIMONY BY MICHAEL KOUPUS{Boff}

MR. KUOPUS: Good afternoon.

CHAIRMAN HILL: Good afternoon.

MR. KUOPUS: At present, I'm the commander of Post or Chapter 123, Disabled American Veterans here on the Range, and I would just like to share with you a few thoughts.

As a combat veteran - Vietnam, two tours, I saw firsthand the capabilities of my unit to provide support to other combat arms units decrease continually. We had huge problems delivering services due to lack of spare parts.

I served in a combat engineering company. We used heavy equipment, bulldozers, loaders, trucks, performed carpentry, and handled demolitions. Most of the heavy stuff and smaller jeeps and trucks were World War II and Korean vintage equipment. To get around the lack-of-modern-equipment problem, we used a loaded dump truck, as an example, for mine-sweeping because we lacked combat engineering vehicles that were designed for that purpose. Believe me, a dump truck is not an adequate replacement for a tank, and we lost many men and trucks to prove it.

Looking back at this now, I see that after World War II the steel industry, in a large part, switched back to primarily supplying automotive and building trades industries, highways, bridges, and the likes. This left the defense department to use moth-balled materials and equipment.

History has shown us that the aggressor nations usually did quite well at the beginning of their wars, but were brought to a halt by not being able to produce raw materials -- ore -- and machines -- steel -- to keep their losses replaced.

Relying on the import of the ore product most critical to the strong defense is just unimaginable. With a strong steel capability, we wouldn't be this -- or without a strong steel capability, there wouldn't be the specialty type of machines to get the jobs done.

We cannot rely on old moth-balled equipment to always protect us in time of need. Surely designing new high-tech systems is one thing, but a usable platform to operate it from is another thing, such as a tank made of steel or a ship, again made of steel.

Then there is the logistics of defense -- transports, ships, trucks, trains -- all made of steel. Our maritime fleet has all but ceased to exist from what it really should be, and our rail system has also deteriorated to less than what it could be.

Everybody talks about the need for new sources of energy -- gas, electric-generation plants, pipelines, et cetera -- and the military uses very large amounts of fuel. But how and with what product do we build these? Again, steel.

These things are vital to a strong military, and the military is so very vital to the survival of our way of life.

At the present time, we have young men and women stationed in harm's way around the world that deserve the best we can supply them with, and we just aren't doing it.

That's about all I have to say, except when things do get tough, you're going to call these young people back again to do the things that I had to do, and I just hope that we can supply the materials to bring these kids home safe again.

Thank you very much.

CHAIRMAN HILL: Thank you.

Just a couple of quick announcements before we break. I forgot a couple of important people to thank. Bob Nichols, who works for me at the Department of Commerce. Bob, why don't you stand up. And Kathleen Willis, also from the Department of Commerce. They've been tremendous in logistics work.

I also want to thank our friends and volunteers from the United Steelworkers of America for their very fine work this morning in helping us facilitate this. Thank you all. As you can see, they're the ones making this flow smoothly, and as it turns out, we're running like clockwork. So thank you very much for that.

Please.

I will be available down near the piano. I do not play the piano, so do not worry about that; but for our friends in the press, I will be available at two other times today. I will be available at 4:30, at the 4:30 break, at the piano for a short time; then after the hearing is concluded, at 7 o'clock or thereabouts, I will also be available this evening.

With that, we'll take a 20-minute break and reconvene in here at 2:35. Thank you.

(A brief recess was taken.)

CHAIRMAN HILL: I call the hearing back into session.

Just a quick announcement at the beginning.

As I said, we're doing very well on time. I'm amazed that we are. I anticipated that we may not. In the future, I would ask the witnesses to confine their remarks, if they can, to five minutes and leave time for the panel for Q's and A's. We have a timer down in front in the middle of the stage who held up signs at the five-minute mark, the two-minute mark, the 30-second, then he has a stop sign. Once he hits the stop sign, that's when you should conclude your remarks. If you see him stand up with the stop sign, you should realize you're in big trouble. We haven't figured out the penalty yet. I'm still conferring with my friends at the steelworkers.

But anyway, please, we are running on time, and we still have quite a few people to hear from.

If we could ask that the doors be closed in the back as people come in so that we can -- everyone can hear our witness, we will begin.

At this time, I would like to call Frank Ongaro of the Iron Ore Mining Association of Minnesota.

Mr. Ongaro, please.

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{BOn} TESTIMONY BY FRANK ONGARO{BOff}

MR. ONGARO: Mr. Chairman, Panel Members, good afternoon. My name is Frank Ongaro. I am the president of the Iron Mining Association of Minnesota. Our association represents five of the six producing taconite companies in Minnesota, the recently shut down LTV Mining facility, and more than 200 vendor businesses from all across the state that supply products to the mines.

Welcome to Minnesota. I want to thank you for holding this critical hearing today. The Section 232 hearing is extremely important to our Iron Mining Association members.

I also want to thank Congressman Oberstar, Senator Wellstone, and Senator Dayton for their support of this industry.

I'm here today to speak to you about the vital role our domestic iron ore and steel industry plays in both our economy and our nation's security. Our association supports the Section 232 investigation effort. Simply put, we support the enforcement of our trade laws; and we believe that through the enforcement of our trade laws, you will clearly find that the current level of imports is a serious threat to both our industry and our national security.

Automotive bodies and frames, appliances, housing framework, reinforcing material for concrete, bracing for bridges, engines, weaponry, and ships, these are all some of the materials formed from the steel that is made from Minnesota iron ore. Clearly, iron ore is the essential raw material that feeds the blast furnaces of our nation's steel mills, running 24 hours a day, seven days a week, 365 days a year.

Today, there are 4,400 people directly employed in Minnesota taconite plants. In addition, more than 14,000 people are employed in several thousand supporting companies.

As a result, the industry maintains an annual contribution to the Minnesota economy of an estimated \$1.3 billion. This benefit is spread across more than 200 communities throughout the entire state.

However, things were different just one year ago. With the closing of LTV Mining in Hoyt Lakes, Minnesota, we are also witnessing the hardship that our communities feel from the loss of jobs when a domestic ore/taconite plant shuts down. Before the closing of LTV, there were nearly 6,000 jobs in the plants and at least 15,000 additional industry-related jobs.

In 2000, the economic benefit was \$1.5 billion. This already, in one year, equates to a \$200 million economic loss.

Without question, the loss of this industry would be devastating to our regional economy. At the same time, the iron ore industry is clearly critical to our national security. As the fundamental raw material needed to produce steel, our mines have been the one -- have been one of the primary suppliers of iron ore for the domestic steel industry for 100 years. Whether it was building railroads, ships, or buildings, our iron ore mines provided the raw materials for the steel mills that helped our great country become a global leader.

Then, when our nation found itself in wars and conflicts around the world, our iron ore mines provided the raw materials for the steel that supplied the military power. From 1941 through 1945 alone, Minnesota mines produced over 200 million tons of iron ore to produce steel for tanks and ships and airplanes.

Now the growth of imported semi-finished steel, left unchecked, threatens the existence of our iron mining industry.

If this happens, the future security of the United States will be dependent on these imports. We must ask ourselves, do we want to risk our nation's readiness on the willingness of other nations to supply our steel-

making raw material needs? America cannot afford to take the chance that the cheap imports will still be there when we are faced with a future crisis.

Without a reliable source of raw materials, we will not have a reliable domestic steel industry. Without the reliable domestic steel industry, the security of the United States would certainly be threatened.

If the iron mining industry is afforded some relief from the foreign import pressures, we will be able to continue to provide a reliable supply of iron ore for another 100 years and longer.

Also, without iron mining in Minnesota, we would see dramatic unemployment in not only the mines and supplier businesses, but also the community-related support jobs. In addition, there would be a significant loss of government revenue, infrastructure would begin to deteriorate, and the skilled workforce would be required to move out of the region to find employment.

Once gone, nothing can be replaced, restored, or retrained quickly. Shipping, rail, electric energy supply, and trained workers are all essential components of the operation of the iron mining industry. If our taconite plants close down for any period of time, it could literally take years to rebuild the regional infrastructure. This lack of "ready to go" infrastructure would further handicap our national readiness.

Further, the remaining producers are also feeling the effects from the imports. Imported semi-finished slabs contain no United States iron ore. Every ton of semi-finished slab steel used in domestic steel production displaces approximately 1.3 tons of iron ore. In the year 2000, semi-finished imports, mostly slabs, totaled nearly 8.6 million tons. This is up from 3 million tons only a handful of years ago.

Over the last year, this increased use of imported semi-finished slabs has placed severe economic pressures on our remaining Minnesota taconite producers. In addition to the LTV shutdown, taconite companies have had to make labor force reductions, demand reduced supplier prices, and in some cases significantly reduce production.

In conclusion, to emerge successfully from the crisis in the iron ore and steel industry, every stakeholder must do their part. The companies are reducing costs. Labor is increasing productivity. The suppliers are reducing margins. Local communities are doing more and more, with fewer and fewer resources. Now it is the federal government's turn to do its part.

Before there is free trade, there must be fair trade.

We urge you to reduce and place restrictions on the level of semi-finished steel imports, the duration of which must assure that both the iron ore industry and the steel industry has recovered from the impact of these unfairly traded imports. By enforcing our trade laws, the federal government will also help the industry emerge once again as a strong global competitor. This is the only way to assure the future security of our nation.

When you look at the fundamental question regarding this hearing, your answer must be yes, domestic iron ore is vital to our national security.

We must not allow our nation to become dependent on foreign steel.

Thank you for the opportunity to testify.

CHAIRMAN HILL: Questions?

MR. WOODS: Mr. Ongaro, I have a question. I think you very succinctly and nicely summarized the impact on the infrastructure. I was wondering if you could focus on one area, and that would be what it takes -- maybe using one or two examples of occupations in the industry, what it takes to retrain a person and how long a period of time that might take.

One of our earlier witnesses, the recent graduate of high school, noted the kind of training that goes on in high schools in this area. How long for some of the specialties does it take to retrain?

MR. ONGARO: Mr. Chairman, Mr. Woods, I believe your question was how long does it take to retrain certain skills in different industries -- or in different trades within the industry.

Recently, the State of Minnesota undertook a very worthwhile exercise called Taconite University, funded by Minnesota's higher education colleges, MNSCU, and in that industry, labor, higher education took a look at what it would take in different job skills in the industry to train new workers that were coming into the industry. At that time, it was anticipated that half the workforce would be retiring within the next five years. At that time, there was also hope that we would have an influx of young students coming out of high school that could do two-year, three-year training in specific trades related to the industry.

Unfortunately, with the downturn in the economy and the downturn in the industry, we are now looking at a lack of hiring or attrition, depletion of our workforce, but it was clear that a two-year minimum special skills type of approach was necessary. No longer were the kids able to come directly out of high school and go right into any of these skilled trades that required quite a bit of technology in today's modern industry.

MR. WOODS: Thank you.

CHAIRMAN HILL: Thank you, sir.

MR. ONGARO: Thank you.

CHAIRMAN HILL: At this time I would like to call four individuals: John Brinzo, chief executive officer, Cleveland-Cliffs, Inc; accompanied by Jack Tuomi, general manager, Hibbing Taconite Company; Robert Berglund, general manager, Northshore Mining Company; and Dennis Koschak, general manager, LTV Steel Mining Company.

Gentlemen.

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{BOn} TESTIMONY BY JOHN BRINZO{BOff}

MR. BRINZO: Thank you. Good afternoon, Mr. Hill and members of the administration.

For the record, my name is John Brinzo, and I am chairman and CEO of Cleveland-Cliffs Inc., which is the largest producer of iron ore in the United States. We operate four mines in Michigan and Minnesota.

Iron ore mining is an extremely capital-intensive business, with beneficiation and pelletizing plants alone costing hundreds of millions of dollars. Based on the declining demand in the U.S. market, companies such as Cleveland-Cliffs can no longer justify major investments in our iron mines and equipment.

Iron ore demand in the United States has declined in recent years as imports of both semi-finished and finished steel have surged into the U.S. market. Imports of semi-finished steel alone have increased from 2 million tons in 1990 to over 8 million tons last year. This equates to approximately 11 million tons of iron ore pellets that are not otherwise being produced and consumed in domestic steel production.

The displacement of domestic integrated steel-making capacity by semi-finished steel slabs will lead to the closure of domestic iron ore capacity. LTV Steel earlier this year closed its mine here in Hoyt Lakes, resulting in the elimination of 1,400 jobs. The mine closed because the large capital investments required to overcome cost and quality problems could not be justified. Although LTV has contracted to replace its iron ore requirements from other domestic mines, they now propose to close blast furnace capacity and import steel labs.

Operating levels at all of Cleveland-Cliffs' U.S. operations have been significantly reduced this year in order to balance production with reduced domestic demand. These curtailments have impacted over 2,500 employees, with layoffs totaling as much as 13 weeks for some employees in certain mines.

As bad as things are now, they are likely to get much worse in the near future. Given the price of imported finished steel, many integrated facilities have decided that the only way to remain competitive with imported finished steel is to shut down their blast furnaces and basic oxygen furnaces and import extremely low-priced semi-finished steel. At Cleveland-Cliffs, we are extremely concerned that companies presently operating in Chapter 11 reorganization, such as LTV and Wheeling-Pittsburgh, as well as companies not in Chapter 11 reorganization, such as ISPAT Inland, AK, National Steel, Bethlehem Steel, and even U.S. Steel may decide to shut down the hot-ends of their facilities and rely on converting imported semi-finished steel.

There have already been reports in the press that LTV would like to supply feedstock to its Cleveland East facility with annual purchases of 1 million tons or more of imported slab. There have also been press reports that AK Steel is considering the shutdown of its hot-end in Middletown, Ohio, and importing over 2 million tons a year of semi-finished steel.

With other integrated producers already struggling to reduce costs to compete with low-priced imports of finished steel, the need to compete with other domestic producers who are converting slab imports will be overwhelming and will likely force virtually all U.S. integrated facilities to shut down and become slab converters. The result will be the shutdown of the domestic iron ore mines and the end of viable iron ore resources and steel-making capacity vital to this country's defense and basic economic needs.

There are viable alternatives to watching our iron ore and steel-making capacity be shuttered in this country. Some of the blast furnace operations being shut down, such as at the Cleveland West facilities of LTV, could be used to produce slabs for the commercial market. Similarly, Geneva Steel has a blast furnace shut down because of a lack of purchases by CSI and Oregon Steel, West Coast producers who now buy imported semi-finished steel. Domestic blast furnaces, BOFs, and continuous casters cannot be used to supply other domestic mills with slab as long as slab import prices are \$150 a ton from Russia, Ukraine, and China and \$180 a ton from Brazil and Mexico.

Our long-term national economic security requires that we have a period of relief from these imports so that we can focus our efforts on producing semi-finished steel at lower costs and more efficiently than we do now. But no one in the steel industry in this country wants to invest a penny in blast furnaces and basic oxygen furnaces because it is so much cheaper to import semi-finished steel than it is to invest in making it here less expensively. For the same reasons, Cleveland-Cliffs can't currently justify additional investments in our iron ore mines.

At the present time, Brazilian mills have on the drawing boards 9 million tons of new slab capacity to be brought on over the next several years. The market targeted for this slab has got to be the United States. Russia, China, and Ukraine already have an estimated 15 to 20 million tons of excess slab capacity. Europe and Asia won't consume this new Brazilian slab capacity.

Without action being taken now under Section 232 or Section 201, the United States will find itself in the future dependent on keeping the sea lanes open with Brazil, Russia, Ukraine, China, and Australia and Japan in order to obtain the steel that keeps our auto factories running, our can-making facilities going, and the steel we need to make planes, tanks, ships that could be necessary to win another armed conflict.

It is the government's first role to protect our nation's security, and the government should assume that role and preserve a viable iron ore and basic steel industry in this country.

Thank you for the opportunity to testify today.

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{BOn} TESTIMONY BY JACK TUOMI{BOff}

MR. TUOMI: Good afternoon. My name is Jack Tuomi. I'm the general manager of Hibbing Taconite Company in Hibbing.

Hibbing Taconite is an iron ore operation with mining and processing facilities located near Hibbing and Chisholm, Minnesota, about 25 miles west of here. We employ 790 people and have a capacity of 8 million tons per year of iron ore pellets. At 8-million-ton capacity, we currently have sufficient mineral reserves to last an additional 25 years of production. Our mine is owned by Bethlehem Steel Corporation, which owns 70 percent; Stelco, 15 percent; and Cleveland-Cliffs, 15 percent. Our mine, although one of the most efficient iron ore producers in North America, we are currently shut down and going through a seven-week shutdown period to adjust excess pellet inventory.

Hibbing Taconite is a major contributor to the economy of our state and the region. We pay state and local taxes totaling \$16.6 million, our annual payroll is \$52 million, and we purchase goods and services from area firms with a total value of \$132 million per year.

In the last five years, the owners of Hibbing Taconite have invested \$130 million in capital expenditures to modernize their facilities and help reduce our operating costs.

Our majority owner, Bethlehem Steel, has announced that it intends to sell its ownership in Hibbing Taconite as part of its strategy of concentrating on its core steel business. I should also add at this point that a neighboring mine, National Steel Pellet Company right next door to us, has also been put on the market by its owner, National Steel. So we have two -- the majority of one mine and the entirety of a second mine for sale right now on the Iron Range.

This year our property has endured a six-week shutdown which ran from January 28 to March 11. Our current shutdown started on June 17 and is expected to last seven weeks, and we should be back up and running on August 5. In fact, many of our employees are in the audience here today. That's a total of 13 weeks down this quarter -- or this year, which is equivalent to a full quarter of the year, and as a result, our operating costs are rising dramatically due to our fixed costs. Iron ore pellet operations are not efficient when they're forced to shut down for periods of time or periods of continuous production or at reduced rates. Our 8-million-ton-capacity plant this year will only produce 6.2 million tons.

Maintaining a viable iron ore operation during periods when it is necessary to shut down from time to time due to weak demand for our product is very difficult. Many of our major cost elements are fixed, such as electrical power demand, employee benefits, and equipment lease payments. Those expenditures go on whether you're operating or not. These costs result in a very expensive product for the period of production, as the fixed costs incurred during the shutdown periods are averaged into the actual cost of production during the remainder of the year.

The tremendously difficult economic situation we find ourselves in threatens our very existence. Unfairly traded semi-finished steel imports or slabs are eliminating the need for domestic iron units like iron ore pellets. We are forced to shut down, reduce production levels, and eliminate jobs in the interest of reducing costs, all of this while our energy costs have skyrocketed over the past year.

Imports of semi-finished steel account for one-third of the growth in steel imports since 1997, and it is widely recognized that as our dependence on imported slabs grows, our status as a steel-producing nation diminishes. We are a nation becoming more and more dependent on imported slabs, a great deal of which is coming from nations that we certainly cannot rely on in a national emergency, such as China, Russia, and the Ukraine.

The financial hardship facing our domestic iron ore and steel industries and the potential for further downsizing and elimination of capacity is a direct threat to our future as a world power. We have seen the impact oil-rich nations

have had on the economy of this country in terms of the price and availability of petroleum products. If OPEC should have taught us just one thing, it is that it is not in our best interests to be dependent on other nations for critical commodities.

Thank you.

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{BOn} TESTIMONY BY ROBERT BERGLUND{BOff}

MR. BERGLUND: Good afternoon. I'm Bob Berglund, the general manager of Northshore Mining Company.

Northshore Mining, which originally operated as Reserve Mining Company, was the first taconite mining and processing facility in North America when it opened in 1955. Iron ore pellet production peaked at Reserving Mining Company at 11 million tons annually before economic conditions in iron ore and steel forced a closure of the property in 1986.

Cyprus Minerals Company acquired the property and reopened it in 1989 at a reduced capacity. Cleveland-Cliffs purchased the property from Cyprus in 1994.

Today our facility has a rated annual capacity of 4.3 million tons and sufficient mineral reserves to operate for over 80 years, should economic conditions in the industry permit. We have a total of 516 employees and an annual employment cost of \$35 million. We purchase goods and services valued at \$80 million annually and pay state and local taxes that total \$8.1 million.

Northshore Mining has shut down an indurating furnace this year to adjust our iron ore pellet inventory. This reduction will amount to about 700,000 tons.

Within the last five years we have made great strides toward keeping our Northshore property competitive in the raw materials marketplace. A total of \$35 million has been spent on adding new technology and equipment in an effort to secure our future and the future of our employees; however, we are no match for the unfairly traded semi-finished steel that is flooding the steel markets and threatening our existence.

As I was thinking about how Northshore has been downsized, it caused me to do a little research on the basic makeup of the United States iron mining industry. What I found when I looked back about 20 years was an industry that had the capacity to produce about 90 million tons of iron ore pellets annually.

You'll recall that the early and mid-1980s was a very difficult time for the U.S. steel-makers and iron ore industries. At that time, imports were identified as a major problem, and voluntary restraints were implemented by the Reagan Administration. The steel industry used that opportunity to modernize facilities and close inefficient capacities. A number of iron ore mines were also closed, and we saw the capacity to produce pellets drop considerably.

By the year 2000, U.S. pellet capacity dropped to about 61 million tons, about a one-third reduction from the early 1980s. With the closing of LTV Steel Mining Company, domestic capacity will drop further, to about 53 million tons.

I urge you to take action to preserve the future of the U.S. steel-makers and iron mining industries. I believe it is clearly in our national interest and in the interests of the tens of thousands of men and women who attend the blast furnaces and mine the iron ore that help supply American needs.

Thank you.

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{BOn} TESTIMONY BY DENNIS KOSCHAK{BOff}

MR. KOSCHAK: Good afternoon. My name is Dennis Koschak. I'm general manager of LTV Steel Mining Company. Thank you for the opportunity to testify at this very important hearing.

LTV Steel Mining Company's mine and processing facility are located in Hoyt Lakes, Minnesota. In May of last year, LTV Steel announced that it would permanently close this mine. While there were multiple factors involved in this decision, it is clear this operation may have been the first of many casualties

from the flood of steel imports that have devastated the American steel industry for the past three years.

LTV Steel Mining Company had the capacity to produce 7.5 million tons of iron ore pellets annually. There were sufficient mineral reserves to last an additional 50 years. A major capital investment to modernize the pellet plant was needed to bring the facility up to industry standards. If the steel industry was not severely weakened as a result of unfairly traded and subsidized steel imports, perhaps that investment would have been made. Instead, a decision was made to close the mine, and now 1,400 people are out of work.

The United States has reduced its capacity to produce iron ore pellets by 7.5 million tons.

LTV Steel Mining Company had operated continuously since its start-up in 1957, crushing over 1 billion tons of ore and producing just less than 329 million tons of iron ore products. 329 million tons of iron ore equates to a huge amount of steel, more than 250 million tons to be exact.

That steel helped create and erect countless skyscrapers, laid miles of pipe to carry all kinds of utilities, and manufactured hundreds of thousands of automobiles and appliances. I can't tell you how many jobs were dependent on the machine tools made from steel used by American manufacturing companies and how that many tanks, armored vehicles, and vessels were built to help defend this country, but I know the numbers were significant.

When operating, LTV Steel Mining Company paid over \$17 million dollars annually in state and local taxes and an annual payroll of over \$50 million and purchased goods and services amounting to \$190 million annually. During the past five years, \$76 million in capital improvements were made to this property in an all-out effort to keep us competitive.

As you examine the issue of national security as it relates to our industry, I believe it is critically important for you and everyone to understand that once a mine closes or a steel mill blast furnace shuts down, those facilities will not be available to meet future needs in event of a national emergency. The closing of this operation presents a good example of why that's true.

As a leader of the free world and in the interest of our own defense, I do not think there is any question that we need the viable domestic iron ore and steel industry. The future of this industry is very much threatened by unfairly traded and subsidized imports.

I urge you to take action through the authority granted in our Section 232 to prevent the United States steel and iron ore mining industries from being destroyed by these steel imports.

Thank you.

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CHAIRMAN HILL: Mr. Brinzo, in your testimony here today, you talked about reduced domestic demand, and we are focused on imports and the effect imports have on our national security needs; however, to maybe round out the picture for us, are there other issues affecting your industry that you would like us to know about or that you're aware of at this time that also contribute to reduced domestic demand?

MR. BRINZO: Mr. Hill, the overwhelming economic impact on reduced domestic demand is the importation of steel, both finished and semi-finished steel. There is no one issue that is a greater threat to our business, to the steel industry in the United States, than the import threat, and that is happening just at every turn, and one has only to -- can follow the papers and see what is going on in the country with foreign steel companies who are making investments in certain finishing facilities in this country. The designed purpose of all of that is to bring in more semi-finished steel, finish that into finished steel, put more pressure on U.S. steel producers, as well as put pressures on iron ore mines at the same time. That is the single biggest issue.

Other than that, we in the steel industry constantly are facing right now in the last year much higher costs as a result of energy costs. Our natural gas energy prices quadrupled going from 2000 to 2001. They've eased recently, but it's been very high. The steel industry has coped with this same issue. The combination of imports and higher energy prices has taken quite a toll on it.

I will say also the impact of currency exchange rates have played a very significant effect in this latest increase in semi-finished steel. All one has to do is witness what's happened to some major countries such as Brazil, which in 1999 devalued their currency by 50 percent versus U.S. currency. They became much more competitive in this country. The result of the strong dollar in this country has really hurt the basic industry.

CHAIRMAN HILL: Thank you. That's very helpful.

Other questions from the panel?

MR. VACCARO: Would you discuss for us a brief overview of what would be the hurdles to resume operation right now at the LTV facility? Now that it's been shut down eight months, if a decision were made to resume operations there, can you give us an idea what type of -- what hurdles you would have and if you could give us any information about regarding the care and maintenance that's currently being provided for this facility.

MR. KOSCHAK: If a decision was made today to restart the plant, I would estimate that it would take at least six months to reactivate the facility. The mines themselves are rapidly filling with water, and it would take much time to dewater the mines.

The facility would have to have gone through all the water systems, all the electrical systems. By that time, it would be at least six months, and you would be into Minnesota winter, and that would be a challenge in itself to start the plant from where it is today.

When we shut the plant down, the plant was shut down in compliance with Minnesota rule, Minnesota law. All the facilities have been protected. Everything has been moth-balled accordingly so that none of the piping, none of the infrastructure was put in jeopardy.

MR. KIRK: How much of your haulage trucks and so on do you still have there, or have most of them been turned back in to the leasing companies?

MR. KOSCHAK: All of the leases -- all of the trucks and shovels were leased, and as I understand it, the leases have been canceled and some of the leaseholders have gone in and taken out their trucks. We've lost three or four trucks, a few dozers, and a few loaders. All of the shovels are still on the site.

MR. KIRK: How long would it take you to get that kind of equipment back?

MR. KOSCHAK: Typically from the date of order, I would say a minimum of three months. Probably, depending upon the demand, it could be six months before you could get a truck on the property.

CHAIRMAN HILL: Another issue we've heard from other witnesses, including one that I thought was a remarkable presentation by Samantha Grippe, on the availability of talent for the mines. If we were able to find a solution and we could overcome the layoffs and shutdowns and the closures, do you as a group -- and anyone feel free to answer this -- feel that is there is a ready pool of talent available for the next 10, 20 years to meet the needs of the mining industry here?

Let me lead you a little further down. I'm trying to ask: We look at the picture and we look at remedies. We have to look at situations that support those remedies, and we need to also say -- we need to put in some remedies for training and increase opportunities, such as from what we've heard from some of the previous presenters. I would like to get kind of a picture of your opinion of that.

MR. BRINZO: I think the basic question was going forward, the availability of the workforce, the skills. Was that the question?

CHAIRMAN HILL: Yes.

MR. BRINZO: I think the Range both in Minnesota and Michigan has a remarkable history of developing people and utilizing, which I think you've heard before, a very highly talented and dedicated work force. We've been successful in doing that in the past, and I think we can be successful in doing that in the future. That will happen, though, only if people perceive that there is an attractive and viable industry to go into.

Every day I hear of circumstances where people are leaving this industry and going to work in other mining industries because of a concern for what might happen to the U.S. steel industry. I think it's not so much an issue of the companies being able to train and develop talent as it is the economic viability of the steel business and the industries to serve them. That would be an issue.

MR. THOMPSON: Could you talk about legacy costs and the impact of those on your activities? I know in the larger steel industries, legacy costs like environmental issues and the ratio of retirees to current workers, things like that. Could you talk about that?

MR. TUOMI: Post-employment benefit costs are quite significant. I'm just trying to think. At our mine --

MR. BRINZO: I can just tell you, in our company we have roughly one-plus retiree for every active employee would be the ratio. That's only going to grow. Our benefit plans allow people to opt out for early retirement with 30 years of service to proceed in progression in the number of people electing for early retirement. That is bound to increase the level of exposure. I might add that while we have that ratio, many steel companies in the United States have much higher ratios of retirees to active employees, and it's a very big problem for certain companies, which happen to be the companies that run blast furnaces, which are the basic customers of our industry.

MR. THOMPSON: For the mine companies, is that considered a significant cost?

MR. BRINZO: It's a significant cost. I think all of our benefit plans, be that either for actives, be that for retirees, is a very significant portion, and I think we have some of the finest benefit plans in the country.

MR. THOMPSON: Going on to other economic areas, discussions were made about imports of semi-finished slab being \$150 a ton, \$180 a ton, and taconite for roughly \$132 a ton. At what level does it have to go down to, to be competitive or what level do the import slabs have to go up to for the iron ore to be competitive?

MR. BRINZO: Well, I think we're going to have a couple gentlemen who are going to address the cost of the slabs, coming after us. My understanding, though, is domestically-produced slabs would be at some 20, 30, 40 dollar premium for \$180 that you heard from Brazil, and that's fundamentally all based on the ore costs that these companies are receiving today. My guess is that in order to be competitive at those lower slab costs, we would have to find iron ore costs that would be one-third lower than what we're dealing with today.

MR. BOTWIN: Let's go back to the LTV case, where you're saying that six months or so you could probably today reopen the mine. Let's fast-forward five years from now and assume some of your neighbors disappear as well. How long or could you really reopen the mine and still have this infrastructure in the workforce, in, you know, all the related pieces that are needed to make this work?

MR. KOSCHAK: Five years from now it would be very difficult, if not impossible, to start the mine as it exists today or the facilities. All of your electrical infrastructure would have deteriorated so that it all would have to be replaced. In an existing facility, that would be a very, very challenging task at best. So I would say a five-year window, the window is closed.

MR. BRINZO: I wonder if I could I address that point as well.

CHAIRMAN HILL: Please.

MR. BRINZO: That question I've heard asked a few times this morning in terms of the expenses of the cost to bring back a mine, the time it would take to bring back a mine. There is no question it would take time and it would take many millions of dollars, but there is a lot of ingenuity and a lot of creativity on the Range, and that could probably be done.

The bigger issue, however, is that if an iron mine closes, it's closing because its customers have disappeared. Its customers are basically 40-plus producing blast furnaces in North America. The key is not so much can these mines reopen, but can the customers reopen.

If the mines are closed, it will be that blast furnaces have closed. Once a blast furnace is closed, it will not come back. I would like to be proven wrong, but in my experience, I cannot think of one blast furnace that's been closed that's ever come back. So if a blast furnace is closed -- and why would they close, because of importation of semi-finished steel, which will cause steel manufacturers to stop producing slabs. When that happens and furnaces close, mines will close; not because they can't, but because the customers have gone away.

CHAIRMAN HILL: Okay. Thank you very much, gentlemen.

At this time I would like to call Edward Caine, president and chief executive officer of WCI Steel.

Welcome, sir.

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{BON} TESTIMONY BY EDWARD CAINE{BOFF}

MR. CAINE: Thank you, Directors. Thank you, members of the community.

My name, for the record, is Ed Caine. I'm president and CEO of WCI Steel, a fully-integrated steel producer located in Warren, Ohio.

There have been many facts given today for virtually everything I can think of, but we've missed one large group, and I want to thank you for having the meeting here where we are, because you've given me the opportunity to visit my major supplier and to talk with some of the miners who produce the product that we consume in our plant. And I want to thank them for their efforts and for the quality that they supply us to allow us to be competitive in the marketplace.

100 percent of the product that we use in our blast furnace of our iron product comes from the state of Minnesota, 100 percent of the product in our blast furnace comes from American producers, and we do not either consume any foreign slabs or convert foreign slabs for anyone else.

WCI is an integrated steel facility. We utilize iron ore and coke in blast furnaces and basic oxygen furnaces to produce steel. We have 2,000 employees. If I was here before you three years ago, I would have said 2,400 employees, but we are currently operating at about 80 percent of capacity.

We manufacture hot-rolled sheet, cold-rolled sheet, galvanized sheet, and non-grain oriented electrical sheet steels. Much of our production is in very highly specialized high carbon, alloy, high strength and electrical steels. While the overall majority of our sales are to distributors and converters, we are certain that given the nature of our products, a portion of these products are incorporated into military and armored vehicles and equipment.

Our company is located in the heart of the Midwest. A tremendous amount of steel consumption in the United States is within a 500-mile radius of our plant. There are also numerous other integrated facilities located in our area. Unfortunately, two of my neighbors and two major facilities, the LTV-Cleveland West Works, with a 4-million annual ton capacity, and Wheeling-Pitt Steel, with an annual capacity of 3 million tons, are currently operating in Chapter 11. Moreover, Weirton Steel, our neighbor to the south, with a capacity of 3.2 million tons, is in serious financial difficulty, with its stock selling at less than \$1 a share.

I am very concerned that the domestic steel industry faces a serious turning point. The purchase of the rolling mill assets of distressed U.S. producers for the use as a conduit for imported slabs to replace and displace U.S. production merely heightens the danger that the United States will lose its hot-end capacity.

WCI does not oppose foreign ownership of U.S. steel-rolling mills; however, the recently-announced purchase of the Heartland facility rolling mill by CSN and their announced intention to feed this facility with slabs from Brazil to be converted to hot roll in the United States is very, very troubling.

It's very clear to our company that the shutdown of hot-end and the replacement with imported slabs at either LTV-Cleveland or Wheeling-Pitt would likely result in a domino effect of all the integrated facilities, resulting in furnace shutdowns and desperate efforts by all of us to remain competitive through conversion.

We have already seen this occur three years ago at the smallest producer in our area, the former Sharon Steel in Sharon, Pennsylvania, located only 30 miles to the east of our mill. The rolling assets were taken over by Dufenco-Farrell, which is a Swiss-owned company, which is now a converter of approximately 1 million annual tons of foreign slabs.

We know and believe that much of this slab consumption comes from mills at the former Soviet Union. Their entry into the market has created a dramatic price effect; however, the volume effect hasn't yet been as dramatic because of their size.

The total production at Sharon Steel is approximately equivalent to one major blast furnace in the United States. As I said, the effect on the price has already been very, very devastating. The effect on the volume, however, would be more and most devastating if these repercussions would ever occur at LTV-Cleveland or Wheeling-Pitt followed the same path.

Given that the integrated producers in this region account for approximately one quarter to one-third of the total iron ore consumption in the United States, the repercussions to the iron ore industry would truly be devastating.

I can say unequivocally that WCI Steel would like to continue business as an integrated facility, providing our customers with high-quality steel products at a reasonable cost. We do not want to be a converter of foreign slabs; however, we may be forced to, to eliminate some of our production so that we can become competitive in the marketplace.

The lack of wisdom in permitting the United States to be completely dependent on foreign steel slabs in the production of steel products should be obvious. Indeed, there is no difference between being dependent on foreign steel slabs and being dependent on foreign steel. The United States cannot be a great power without a steel industry. Indeed, in the event of a major conflict, the absence of blast furnace production capability would severely compromise U.S. national security.

The United States needs to maintain a secure flow of vital materials such as steel. In this regard, it is important to recognize that many of the foreign suppliers of slabs are also competitors in the U.S. in finished steel products.

It's obvious that at some point in time, these foreign producers could easily come to believe that it would be more advantageous to their economic position to reduce slab exports to the United States in order to supply further finished products. But this outcome is only possible if the U.S. government permits the United States to become dependent on imported slabs.

For all of the above reasons, WCI urges the Department of Commerce and the Department of Defense to recommend a ceiling at a reduction from the current high levels of semi-finished steel imports into the United States.

Thank you for the opportunity to testify.

MR. KIRK: Sir, you're saying in the future you may be forced to use slab instead of iron ore from here.

MR. CAINE: Yes, sir. Currently a portion of the business we had as recently as a year ago has been displaced by production from foreign slabs at the Sharon facility, and we have been forced to become competitive if we want to keep our good customers. Mostly in that area, these are tube manufacturers, and the price of that product has dropped over \$100 a ton within the last six to seven months, taking the total cost of production -- or excuse me, the total value and cost at below our production cost. So at some point in time we're going to have to make the decision to not subsidize that industry, if you want to call it subsidization, and we, too, will have to buy the foreign slabs in order to provide the same quality of delivery and service. It's purely an economic issue.

MR. BOTWIN: Do you have any examples today of countries trying to do this bait-and-switch with the slab and going to finished steel?

MR. CAINE: Country swapping? One of the examples I can give is in the silicone steels, there was a trade case in a grain-oriented silicone steel which was ruled favorably to the industry, and what we found was that the countries who were shipping in the grain-oriented just flip-flopped and switched to nongrain-oriented and the different countries balancing each other. The total imports didn't change. It was just what type of steel was brought in.

CHAIRMAN HILL: Okay. Thank you, sir.

MR. CAINE: Thank you very much.

CHAIRMAN HILL: At this time I would like to ask Keith Busse, president and CEO of Steel Dynamics, to testify.

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{BOn} TESTIMONY BY KEITH BUSSE{BOff}

MR. BUSSE: Good afternoon, Mr. Hill and distinguished members of the panel.

For the record, my name is Keith Busse. I am president and CEO of Steel Dynamics, Incorporated. Steel Dynamics is based in Fort Wayne, Indiana, and we have a green field continuous thin slab cast electric furnace mini-mill that produces hot-rolled, cold-rolled, and galvanized sheet steels in Butler, Indiana. The mill has an annual capacity of 2.2 million tons of flat-rolled steel.

We presently have under construction a sections and rail mill in Whitley County in the state of Indiana.

Finally, the company has a subsidiary, Iron Dynamics, which produces liquid pig iron from iron ore fines which we use as a feedstock in addition to scrap in our mini-mill. The source of this iron is a mine in Canada. The use of pig iron by our company, in addition to scrap, enables us to produce products with better metallurgical chemistries than if we used only scrap.

Our country believes that the massive surge of slab imports at extremely low prices into the U.S. market has seriously injured both the integrated and mini-mill segments of the industry and has retarded further growth of mini-mill capacity and the necessary investment in better hot-ends by the integrated segment of the industry.

If these present trends continue as you've heard in previous testimony, facilities such as Gulf States Steel, LTV-Cleveland, AK Middletown, ISPAT Inland Chicago will follow the likes of the former Kaiser Steel, Sharon Steel, and the present Oregon Steel from being producing facilities to steel-converting facilities. Because many of these slabs are being imported at prices even less than the cost of the most efficient mini-mills, as slab conversion grows, the death spiral of mill closures accelerates, making our overall economy more dependent on imported steel.

It is also critical for the government to understand the present limitations of mini-mill flat-rolled steel production in serving the defense and

other key economic sectors of the economy and the role that semi-finished steel imports are having in curbing the expansion of mini-mill product offerings.

First, the oldest mini-mill thin slab cast production facility was built in Crawfordsville, Indiana, and is only 12 years old. The latest mini-mill flat-rolled plant built was completed by IPSCO earlier this year, and Ms. Parker from that company will be testifying today.

First, mini-mills, including SDI, have focused their product size range on the largest segments of the flat-rolled demand in the United States. These segments are focused on lighter gauged and stronger steels in order to reduce cost. Only the traditional integrated mills make the heavier gauged products preferred by the military for the production of tanks, ships, armored vehicles, and other military equipment.

Because this is a small segment of the market and only integrated mills are able to fill that military demand, you must decide whether it makes sense from a national security perspective to have the production of those products dependent on the importation of foreign slabs.

Second, somewhat more than a third of the total U.S. market for flat-rolled steel is consumed in applications for the production of vehicles -- that would cars, trucks, or SUVs -- or for the production of food and beverage cans, that require metallurgical drawing and coated surface properties that cannot currently be supplied by the mini-mill segment of the industry.

SDI's use of solid pig iron and/or liquid iron from Iron Dynamics has allowed us to obtain contracts for some direct sales to the auto industry as well as other chemistry-sensitive industries. Nevertheless, ours and the rest of the mini-mill industry's capabilities to supply this approximately 20-million-ton annual demand is still very limited.

In addition, to the best of my knowledge, there are no mini-mill suppliers of tin mill products for can production.

Given my considerable experience in developing new technologies for the steel industry, I am confident that we might be able to make tremendous strides in supplying these markets if we can utilize vacuum degassing technologies conjunctively with new coating technologies in our mills. However, how can I justify the expenditures of \$20 to \$30 million on vacuuming degassing equipment in SDI's present or future mills if competitors in the formerly integrated sector are obtaining vacuumed degassed slabs from mills abroad at costs significantly less than our cost of production? That is a critical point here. Increasing imports of carbon slab threatens the viability of the entire industry, both mini-mill and integrated producers.

Even new mini-mills, such as Trico Steel in Alabama, have been shut down in the face of the volume and pricing of semi-finished and finished steels into the U.S. market. If left unchecked, then within a very short period of time our national defense requirements as well as those of other essential parts of our economy, such as vehicle production, can making, and others, will be completely dependent on a continuous flow of semi-finished steel imports to be converted in the United States.

We must have the flow of these imports stopped at current levels in order to dissuade several additional major mills from shutting down their steel-making plants in order to join the ranks of converters of semi-finished steel. This is necessary in order to allow continued expansion of new low-cost capacity by mini-mills and the investment by the integrated facilities in their steel-making ends in order to reduce their costs.

Thank you for the opportunity to testify here today, and I would be happy to answer any questions.

MR. VACCARO: Can you elaborate a little more on the work that your Iron Dynamics -- what type of -- how the technology is developed and how that could be applicable in the future? Your prepared statement in April, you noted you

have some problems setting it up. How do you see this on the horizon? What kind of market is potentially out there?

MR. BUSSE: I think it's going to pan out very, very well. Being the first of its kind and taking longer to pioneer than is contemplated, certain of our industry costs, our capital costs, are higher than we had contemplated. I think from a technology perspective, we've reached the neighborhood where we're operating at about two-thirds of its regular capacity. Right now the economics of that facility are not good given the state of the marketplace and the cost of scrap, which has fallen in the face of a sagging economy and oversupply by others in our marketplace today.

So when you look at the cost of converting iron ore fines to liquid pig iron, it is more uneconomical today for us today to utilize than it would be for the low-cost price of scrap.

MR. VACCARO: You said in your testimony right now you're using iron ore from Canadian mines. Is there a reason? Is there any mineralogical or content difference that would not allow you to use ore mined in Minnesota or Michigan?

MR. BUSSE: I think initially it was believed that the hauling or type of ore being utilized from the Canadian facility would give us a greater chance to achieve success. I don't think that's a critical component on a going-forward basis. I think we could use ore from the Range.

MR. THOMPSON: I'm reminded by your comments that there are many different types or qualities of steel. Can you talk about how foreign imports -- and this might be a challenging question -- how foreign imports are affecting various segments of steel?

MR. BUSSE: I think when you look at certain special chemistry grades of steel, they're not as prevalent in the marketplace today, especially from a volume and timing-of-delivery perspective; but nonetheless, the market becomes flooded with the more generic steels, the vanilla steels, if you will. There becomes an oversupply problem in the industry which forces demand to fall, and as demand falls, the industry suffers. In the case of specialty grades offshore, of course I think it's a little more difficult and it's not as big a market.

MR. THOMPSON: Thank you.

MR. BOTWIN: I actually have a question for Jim of the Defense Department.

The statement here about the defense becoming dependent on slab if trends continue and if this testimony is correct and if our mini-mills are importing or being affected by slab, have we factored this into our review process? Does this add problems, concerns to the defense department decision?

MR. WOODS: First, I would like to note that I'm here to listen; but to address your particular comment, the Department of Defense is required by law to procure armor plate, for example, for ships and tanks from domestic sources. That means melted and rolled in the U.S., and so those products are produced in the United States.

MR. BOTWIN: Okay. Thank you.

CHAIRMAN HILL: At this time I would like to welcome to the witness table Ms. Anne Parker, vice president of trade policy and communications, IPSCO Enterprises.

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{BOn} TESTIMONY BY ANNE PARKER{BOff}

MS. PARKER: Good afternoon. For the record, I am testifying on behalf of IPSCO and all of its U.S. production subsidiaries this afternoon.

IPSCO is a major electric furnace mini-mill producer of flat-rolled steel, including carbon plate and hot-rolled sheet, and pipe and tube products primarily for the energy industry. The company has over a thousand employees and seven different facilities in the United States.

The majority of our steel production is now located in the United States. This includes two steel mills, one in Montpelier, Iowa, and a second just

starting up in Mobile, Alabama, as well as pipe mills located in Camanche, Iowa; Geneva, Nebraska; and Blytheville, Arkansas. The company also operates cut-to-length processing lines in St. Paul, Minnesota, and Houston, Texas.

In total, IPSCO's investment in the United States steel industry in the past decade exceeds a billion dollars. We believe we are one of the lowest-cost producers in both the United States and in the world in each of our product lines.

IPSCO strongly believes that while it does not produce a broad range of product that is directly for the military, IPSCO does manufacture a wide range of products that are essential to America's economic security. Thus, the continued viability of U.S. steel producers, both mini-mill as well as integrated producers, is critical to the national security of the United States.

The single greatest threat to the success of IPSCO and other mini-mills, as well as the remaining integrated industry, is the surge in imports of semi-finished steel to be converted by rolling mills in the United States, rolling mills which had previously used steel produced internally. Imports of these semi-finished products have grown from less than 1 million tons 20 years ago to 8.5 million tons last year and could easily double again in the next four years.

The infrastructure of the United States is built and maintained with steel. Moreover, the power of the United States resides largely in its economic and industrial strength. The importance of steel is obvious even to small countries that seem compelled to build steel mills regardless of the lack of a home market demand. Unable to support even a single steel mill by themselves, they build one anyway to foster their economic strength, planning to export most of their production. Of course, medium and large industrial nations -- the EU, Japan, Korea, and Thailand, for example -- also maintain surplus steel-making capacity.

Only in America does demand outstrip domestic capacity. Nevertheless, even though steel usage continued to grow in the United States until 2001, the percentage of the U.S. market supplied by imports has grown much faster.

Since 1983, steel consumption in the United States has risen by 70 percent, whereas imports have grown by 121 percent. The U.S. industry efficiently produces high-quality products, but competitive forces do not define the market. Rather, the industry has been seriously injured by waves of imports flooding the U.S. market for reasons entirely outside of the economies of steel production. What recovery Asia is currently experiencing is the result of increased export activity, not an increase in demand in Asian home markets.

If we wish to protect ourselves against the massive economic consequences of longer-term steel shortages, we must ensure that we maintain a viable domestic steel industry. This does not mean that we must protect inefficient producers, but that the United States should not let higher cost foreign producers force more competitive U.S. producers out of business. We drastically need government policies that permit a strong, competitive domestic market but preclude our efficient domestic producers by being choked to death by foreign steel.

On behalf of IPSCO, its employees, and the North American steel industry, I strongly urge the Department of Commerce to institute a cap at current levels on semi-finished steel to protect the national and economic security of the United States and to prevent it from becoming a pre-industrial country that lacks a manufacturing base.

Thank you for the opportunity to testify.

CHAIRMAN HILL: In several of the written comments that we've received at the Department of Commerce, we're being urged to recommend to the Secretary and in turn that he recommend to the President that we cap imports of semi-finished steel at the current levels. Do you think that's going far enough? Will that do the job? Will that save the taconite mining range?

MS. PARKER: I don't know that it would. I think that there are certainly issues today with the levels that are coming in. We are seeing some of these setbacks. But it would certainly prevent, into the future, the consideration of some of the integrated mills to convert some of these mills and would instead encourage them to increase the efficiency of the existing mills; and with the increased efficiency, perhaps it would be sufficient.

CHAIRMAN HILL: Any other questions?

MR. THOMPSON: Actually, I would like to follow up a little bit. I noted in your submittal -- although you don't supply the Department of Defense with any products, I wanted to follow up again on Mr. Botwin's question, and I have the privilege of a little more time. And one of the areas I'm struggling with is how that there again, steel is not a monolith and that some steels are easier to produce than others and some are more sacred to national security issues. And I would ask this to other individuals as they come forward. Do you have any insight as to what areas are more threatened by imports or more -- there is a greater competition from imports than others? Is it pipe, for example, or is it planes or is it low grades of steel or low quality, or is it across the spectrum?

MS. PARKER: I think to a great degree it's a matter of shifting between the different product lines and that there are certain products that are necessary for the defense industry, much of which are the very thick products that we don't necessarily produce; but there could be movement from the steel industry into these products rather than necessarily the foreign products competing directly.

MR. THOMPSON: Thank you.

CHAIRMAN HILL: Thank you, Ms. Parker.

At this time I would like to call James English, secretary-treasurer of the United Steelworkers of America.

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{BOn} TESTIMONY BY JAMES ENGLISH{BOff}

MR. ENGLISH: Good afternoon, members of the administration. With me is David Foster, who is the director of Steelworkers District 11. He is scheduled to speak after I am. If it's okay with you, we would like to each do our presentation and then take questions together. Hopefully that will also reduce a certain amount of repetition in the statements that we have.

CHAIRMAN HILL: Please.

MR. ENGLISH: First, I would like to thank you for coming to Virginia, Minnesota. I think it's very important for you to be here to -- in order to have access to many of our members and members of the community here in Virginia and in the surrounding Iron Ore Range.

The steelworkers represent approximately 94 percent of the workers in the iron ore industry in the United States and Canada and the vast majority of the semi-finished steel workers in the United States. That converts to about 6,500 iron ore workers in nine U.S. mines and about 50,000 semi-finished steelworkers in 86 mills.

The steel industry is in serious crisis, and it is not an exaggeration to say that unless something is done about it, that crisis could lead the steel industry to become terminal.

Since 19 -- the middle of 1997, approximately 25,000 jobs have been lost in the steel industry, permanently. Nineteen companies have gone into bankruptcy, and five of those companies have converted from Chapter 11 to Chapter 7. Therefore, those companies and the number of cases of blast furnaces associated with those companies have been shut down permanently.

Since September of 2000, 9 million tons of steel capacity has been lost as a result of these bankruptcies and shutdowns. That capacity equates to approximately the size of the production capacity of U.S. Steel.

Currently the United States can only produce about 80 percent of its domestic needs in the steel area. Blast furnaces are being closed continuously, and those blast furnaces are being closed not only by mills that are being -- going into bankruptcy and liquidation, but also, as you've heard from earlier speakers, by integrated steel companies who continue to exist but have decided because of the cost of production that it is cheaper for them to buy semi-finished steel slabs and convert them. The result of that is that many of those blast furnaces are going belly-up as well.

More important than that, that 80 percent capacity figure is just bound to continue to go down unless and until something is done to reverse the trend or at least to stop the trend. In the case of semi-finished steel, the imports that have been referred to up until 1984 had only been a little bit less than a million tons a year. By 1993, that import figure had risen to 5 million tons a year. For 1999 and 2000, we're now at 8.6 million tons a year, and by the year 2003 it's projected, if current trends continue, that the imports of semi-finished steel will go over 10 million tons.

Dave Foster will address in a few minutes the specific impact that that has had in terms of iron ore workers here in the Iron Ore Range and also will address the question of what measures we think need to be taken in order to counteract that.

What I would like to do is spend a few minutes of my remaining time in attempting to suggest to you that the crisis that exists in steel is a crisis that is a national security problem as well.

First, it's a national security crisis because of the fact that it endangers our future defense ability to produce a defense arsenal. You've heard much mentioned of the ships and the tanks and the airplanes and the armored personnel carriers, the jeeps and trucks and ammunition that's made from steel, that requires steel that the integrated steel company makes; and as our capacity reduces, our ability to produce that in time of crisis likewise reduces.

But equally as important, even if we were to turn our full attention to producing that and making sure that those needs were met, we face a situation where the rest of the needs of the national economy suffer, and suffer severely. The -- and the longer this goes on, the greater that will be. Section 232, which you're charged with investigating in this case, does call upon you to investigate the impact on the economy of the decline -- of an increase in imports, and in this case I would suggest to you that the devastation that's occurred to the manufacturing sector of our economy and the impact that it will have in the future is equally as important.

Steel is essential to the production of automobiles; it's essential to the production of construction products. It's essential to a tremendous number of products in our economy, and if it's endangered, if our domestic source of steel is endangered, as it seems to be as we go on, then our national economy and our national dependence will also be in danger.

I will just say in closing that it seems to us that the oil industry situation is a good illustration of the kind of situation we want to avoid. As a number of speakers have indicated, the situation we have with OPEC is a system which, unfortunately, puts us in a situation where we're not in control, in complete control of our destiny where it comes to oil. The same thing, I'm afraid, we're in danger of having with respect to steel.

The steel crisis that's gripping this nation is and must be recognized by the administration as a threat to our national security. Throughout our nation's history, our citizens, our government, and our industries have never failed to come together to meet any and all of the challenges to our national security. We must come together again now to defeat the steel crisis.

Thank you, and I would now like to turn it over to Dave Foster.

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{BOn} TESTIMONY BY DAVID FOSTER{BOff}

MR. FOSTER: Thank you, Jim.

Director Hill, panelists, I'm Dave Foster. I'm director of District 11 of the United Steelworkers, the district of our union that encompasses Minnesota and much of the northwest United States. I've submitted a complete copy of my abridged testimony, along with several charts containing background factual information that I would like put into the record.

The steel crisis is a national crisis with global origins and causes, but make no mistake, for the workers of this state and this region, the steel crisis is not an abstraction nor an election concern whose pain is felt in Washington, D.C., or in some distant land. It's here. It's here in Virginia, Minnesota, and it's all across the Iron Range.

Jim English spoke about the surging levels of imports of semi-finished steel coming into this country. Directly related to the surging imports of semi-finished steel are the sharply declining levels of iron ore production and employment in the United States. Indeed, the dramatic growth in semi-finished steel imports poses an imminent threat to eliminate entirely iron ore production in the United States, as the blast furnaces of integrated steel producers are shut down in favor of imported semi-finished slabs.

In June of 1980, 21 years ago, there were 102 operating blast furnaces in the United States. In July of 2001, there are only 33. The consequences to the iron ore industry of the increase in semi-finished imports has been horrific. For instance, just six months ago, in January 2001, in one fell swoop over 1,200 WSA members, 200 salaried employees permanently lost their jobs with the closure of LTV Steel Mining in Hoyt Lakes, Minnesota. This mine and its related pelletizing facility represented approximately 18 percent of all U.S. hourly workers in the iron ore industry and approximately 14 percent of U.S. capacity for production of iron ore. Today approximately 5,300 hourly workers are employed in eight domestic iron ore mines in Minnesota and Michigan. Only last year that number was 6,500. A decade ago it was 7,500, and when I joined the steelworkers 25 years ago, that number was 17,000.

In addition to the closure of LTV, Hibbing Taconite has idled its operations for at least 13 weeks this year. Northshore Mining, U.S. Steel, Eveleth Taconite, and up in Michigan Empire Mining and Tilden Mining have also announced significant reductions in iron ore production for 2001.

Iron ore consumption in the first four months of this year is already 11 percent below what it was in the year 2000. Iron ore producers cannot continue to produce if the integrated steel companies do not require their iron ore, since the U.S. blast furnace is their sole customer.

The job loss and lengthy layoffs caused by the reductions and cessation of iron ore production impose extreme hardships on the families of the workers and the communities where they reside. Iron ore miners and workers in the iron ore pelletizing plants are extremely skilled workers, and something like 35 to 40 percent of the workers in this industry are journeymen, skilled tradesmen, a much higher percentage than you find in virtually any other manufacturing industry in the country. There are no similarly-skilled and high-paying jobs available in or anywhere near the communities in which these workers live in the Iron Ore Ranges in northern Minnesota and the Upper Peninsula of Michigan.

The ripple effects of the steel import crisis are being felt far beyond the iron ore mines and related production facilities, affecting, as you have heard, its extensive supporting infrastructure. For example, the iron ore shipping industry that transports domestic iron ore products across the Great Lakes will be unable to continue in operation if steel mills continue their reliance on imports of semi-finished steel.

Iron ore related materials constitute the bulk of these fleets' cargo, and once these fleets are scrapped as a result of declining domestic iron ore demand, they will take years to rebuild, should their services ever be required in a time of national emergency. The railroads, port facilities, and energy-

supply systems in the iron ore producing areas will also be similarly and severely affected by the demise of the iron ore industry.

In sum, without decisive governmental action to stem the flood of semi-finished steel imports, domestic iron ore mining and its supporting infrastructure is headed for extinction; and with its extinction, this region will cease to be the wellspring of hope and success that it has been for generations of USWA members and their families. Instead, after all their struggles and sacrifices, our members, our retirees, and their families will be left to try to fathom why their government stood aside while imported steel products robbed them of the way of life that made them proud and made this region and this nation strong.

Fortunately, there are steps the administration can take to provide relief from imports. Government plays no more important role than when it acts to protect the national security. We believe that your investigation will show that the national security of the United States will be compromised if our nation becomes dependent on the whim of foreign producers for vital steel supplies.

We believe that your investigation will show the critical role that the production of iron ore and semi-finished steel play in supporting our Armed Forces and national defense preparedness.

We believe that the investigation will further show the essential contribution to our domestic economic base of iron ore and semi-finished steel production.

When the investigation is complete, we believe it will be clear that a nation such as ours, correctly understood around the world is the sole superpower, must never allow its security to be compromised by becoming significantly dependent on foreign producers for the steel supplies necessary to defend our nation and maintain the infrastructure of our economy.

The USWA urges that the Secretary of Commerce recommend a remedy that will preserve iron ore and semi-finished steel production based in the United States. We believe that the recommendation must include the following:

One: Quantitative restrictions of no more than 6.9 million tons annually, which was the pre-crisis average import level, of semi-finished steel. And these restrictions must be applied for a period of five years.

Secondly, there must be a government-guaranteed loan program for steel producers to reinvest in the iron ore, coke oven, blast furnace, and basic oxygen furnace segments of the industry.

Third, a surcharge should be placed on all steel consumed in the U.S., the proceeds of which should be used to assist iron ore and steel producers in meeting the substantial legacy costs for retired steelworkers, which make up approximately 15 percent of all production costs.

And finally, the government should grant funds for the purpose of assisting steel mergers that promote the maintenance of coke, iron ore, steel-making capacity, employment retention, and environmental compliance.

Inaction, however, will come at a price. If we allow our steel industry to wither today, tomorrow we may wake to new and unanticipated international hostilities, only to find that our failure to act against imports has left our nation impaired and without access to the steel resources necessary to ensure the national security. Unfortunately, it will then be too late to enact the program that we're urging the administration to undertake now.

Thank you, and Jim and I will be open for any questions.

CHAIRMAN HILL: Thank you, and I'm glad you got to your four specific recommendations. We had focused on that as we were doing prep for this hearing; and their submittal was very detailed, and we appreciate that.

I would like to ask you about your Recommendation No. 2, if I could, a \$10 billion loan program guaranteed by the federal government. How do you envision that would be set up?

MR. FOSTER: Well, there currently was passed in Congress, I believe in 1999, a piece of legislation known as the Byrd Bill, which provided a \$1 billion federal loan guarantee program for the steel industry; and unfortunately, as much as that legislation was well intentioned, because of the desertion of the steel industry by Wall Street, it has been inaccessible to all but, I believe, one steel company. So we believe that the concept in the Byrd Bill needs to be amended in a couple of ways.

One, the 85 percent loan guarantee needs to be increased significantly so that Wall Street and banks are willing to fund steel mill modernization.

Secondly, we think that the capital available under that bill needs to be substantially increased, we're suggesting to \$10 billion.

CHAIRMAN HILL: I'm not familiar with the Byrd Bill, but we, I assume, will be. Thank you for bringing that up.

Is there any discussion of the subsidy rate that would be the cost to the government?

MR. ENGLISH: I'm sorry, I didn't understand your question.

CHAIRMAN HILL: In my previous life, when I worked with the Small Business Administration, we had a guaranteed loan program for small businesses, and the issue year after year before the Congress and Administration was the cost to the taxpayer; and that cost was what was called the subsidy rate, where the government would essentially guarantee and pay in case of forfeitures, and that subsidy rate was usually very advantageous. Are there any discussions about what the subsidy rate would be for such a program?

MR. ENGLISH: I'm not aware of any such discussion, obviously, of the subsidy rate. It would depend on whether or not there were any foreclosures. I think if the other parts of what we've proposed are put in place, that should dramatically increase the chances that that wouldn't be the case.

CHAIRMAN HILL: Other questions from the panel?

CONGRESSMAN OBERSTAR: Mr. Chairman, I can answer that last question. I was coauthor of the Byrd language, and it was at prime.

CHAIRMAN HILL: At prime.

CONGRESSMAN OBERSTAR: Yeah. The same rate the government pays a rate on treasury notes. So that -- and that was the fundamental provision of the Byrd language, which also included a provision extending the loan guarantee to the iron ore industries, iron ore taconite industry, as well.

CHAIRMAN HILL: Which agency of the U.S. government was slated to administer that program?

CONGRESSMAN OBERSTAR: Treasury.

CHAIRMAN HILL: Treasury. All right. We'll talk to them. Thank you very much, Congressman.

Thank you.

We would like to ask at this time Jerry Fallos, president of Local Union 4108 of the United Steelworkers, to come forward, and he's here. Thank you.

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{BOn} TESTIMONY BY JERRY FALLOS{BOff}

MR. FALLOS: Good afternoon. My name is Jerry Fallos. I'm president of Local 4108. I represent hourly employees that formerly worked for LTV Steel Mining Company. I want to thank you for the privilege of allowing me to speak before you today.

Two weeks ago, LTV Steel Mining Company shipped the last load of taconite to the blast furnaces that are owned by LTV Steel. After almost 45 years of being a productive mine that supplied the steel industry with iron ore to make steel and providing good-paying jobs to thousands of steelworkers, the mine is permanently closed.

The United States has the capability of producing only 80 percent of the steel it needs. There are currently 18 steels companies in bankruptcy, and iron ore mines are either reducing production or closing down all across the country.

It may only take a matter of days or weeks to shut down a mine or a steel plant, but depending on how long they are down, who knows whether they'll open up. A good example of that is in the early '80s, when there were massive layoffs across the Iron Range. As Mr. Rukavina alluded to, it was like an Exodus from the Iron Range. People were going to the cities. They were leaving the state. They were looking for different jobs, better-paying jobs than they could find on the Iron Range.

When LTV took over in 1986 and '87, they wanted to go back to 100 percent capacity production. Part of the problem was, there wasn't the manpower around. A lot of the people they tried to call back were gone, they were in different jobs.

As fortune would have it, depending on what point of view you're looking at, the Reserve Mining Company had also filed bankruptcy, and there was an abundance of workers from Reserve Mining Company. There were over 300 workers that came to LTV Mining Company in those years. If it wasn't for those workers, they would have had a hard time finding the skilled workers that it takes to maintain the taconite plant.

At the present rate that the steel companies and iron mines are filing bankruptcy or closing down, how long will it be before the United States will be completely dependent on foreign imports? I hate to think that someday the United States may have to depend on China or Russia or Korea, in a time of national crisis, for steel. What would the effect have on our national security? And everybody knows that the iron ore from our very own Iron Range was used in World War II to help win that war.

Since our forefathers first fought and died for independence, the United States has never had to depend on a foreign country for steel in a time of national crisis. We beg you, please don't let that happen now.

As of today, in addition to the 1,500 retirees from LTV Steel here on the Iron Range, there are approximately 1,300 people that are permanently laid off. I, along with the other union presidents, have been at meetings in Pittsburgh for the last 10 weeks trying to negotiate a plan for LTV to restructure themselves and emerge from bankruptcy.

LTV wants to eliminate the health insurance benefits for about 70,000 retirees. They say they need that to be able to compete with the foreign imports. They also want millions -- tens of millions of dollars in concessions. They want to eliminate any type of job security they have. They say that the only way they can compete with foreign imports is through concessions.

We can't win this war on concessions. You know, the fact of the matter is you could give them everything they want, and they still wouldn't be able to compete with foreign imports.

We need aggressive action. We can't win this war on imports with concessions, but we can win it with legislation. We need aggressive action on 201, we need aggressive action on 232, and we need 808, the Steel Revitalization Act. We need your help not only for national security defense, but we need it for our economic survival.

We owe it to the thousands of people who worked all those years for LTV and thought that in their golden years, they would be able to have a good life with promised health benefits and promised medical care and pensions.

We owe it to the thousands of people that fought and died to keep our country independent and to keep the national security at the level it is today.

Without your help, we're going to be in trouble. Without your help, we're going to be in trouble economically and defensively with our national security.

I want to thank you for letting me speak here today. Thank you.

CHAIRMAN HILL: At this time I would like to ask Davis Helberg, executive director of the Seaway Port Authority, to come to the witness table.

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{BOn} TESTIMONY BY DAVIS HELBERG{BOff}

MR. HELBERG: Good afternoon. My name is Davis Helberg. I am the executive director of the Duluth Seaway Port Authority.

Thank you for holding this hearing on a subject that affects the lives and livelihoods of virtually every resident of northeastern Minnesota as well as the Great Lakes and maritime industry. We're grateful, too, to Congressman Oberstar for bringing this issue to the forefront.

I've submitted a written statement for the record. I'll provide some condensed remarks for purposes of this hearing.

CHAIRMAN HILL: Thank you.

MR. HELBERG: Iron ore has been shipped through Minnesota Lake Superior ports since 1884, when the first ore dock was established in Two Harbors. Shipments to Duluth began in 1892, Silver Bay opened in 1956, and Taconite Harbor, now being shut down, opened in 1957.

Virtually all of the major capital investments in these ports were made with private dollars, private risk, faith in the American market.

It's important to note that all of Minnesota's iron mines are in the interior, not at water's edge, and the result is that our ports are blessed with a tremendous infrastructure, beginning with the railroads that link us with the mines. In Duluth-Superior alone, replacement value of our two huge private ore dock facilities is estimated at nearly \$500 million.

In recent years, Duluth-Superior and the North Shore ports have shipped about 40 million tons of iron ore annually. That's a far cry from the 1940s and '50s, when Duluth-Superior alone averaged more than 40 million tons a year. But nonetheless, it still represents about one-half of all the commerce passing through the federally owned and operated locks at Sault Ste. Marie, Michigan.

I know it has been noted here many times before, but I should also point out that the record tonnage years in our port, in Duluth-Superior, were, in order, 1953, 1942, 1951; war years, big time.

But tonnage statistics are hard to grasp. Often lost in the arcane world of port data is the fact that behind the tonnage are real people working at real jobs to support real families. Iron ore shipments through our ports provide the livelihoods for seafarers, railroad and dock workers, management personnel, hundreds of service providers.

As economic appendages of the Iron Range, our ports are highly dependent on iron ore production. A recent economic impact analysis reflected that every ton of iron ore that passes through our ports spins off about \$3 directly into our port economy.

Carriage of iron ore from origin to destination is textbook multi-modal; in other words, iron ore pellets are carried from the mines to the ports in specially built railcars, unloaded at specially built docks for loading aboard specially built ships that are discharged to other lakes' ports for onward carriage to the steel mills by specially built railcars. Thus, if railways and ore docks are direct extensions of the mine, so, in essence, are the carriers.

These vessels, "lakers," are unique among ships in the world. Captive to the Great Lakes, they have evolved over some 120 years into models of maritime efficiency. The largest of these lakers are 1,000 feet long, 100-plus feet wide, capable of hauling nearly 70,000 tons of cargo. Loaded by some of the highest-speed docks on the planet, discharged by onboard self-unloading booms and conveyors, they make 45 to 50 trips a season between Lake Superior ports and ports on Lake Michigan or Erie. Another class of lakers is in the 700-foot range. They carry more than 30,000 tons per ship. Like the 1,000-footers, these large vessels are owned and operated by U.S. companies, built in the U.S., crewed by American seafarers. 75 to 80 percent of Duluth-Superior's ore shipments are bound for our U.S. ports, the balance to Canada by either U.S. or Canadian vessel.

It should be noted, however, that the principle trade of the Canadian carries is the importation of iron ore from eastern Canada to the lower lakes.

Most of the Canadian lakers calling at Duluth load bulk gain for their return trips, but some do carry iron ore outbound.

Altogether, the U.S. fleet numbers 69 large commercial vessels, the Canadian fleet about 75, but both have fewer ships working these days because of reduced ore demand and a weak grain market. As of today, 55 U.S.-flag and about 55 Canadian carriers are in service.

Whether U.S. or Canadian, the lakers represent tremendous capital investment. One Great Lakes shipyard recently calculated that the cost of replacement of a modern 1,000-foot laker at between 90 and 100 million dollars.

In addition to the private investments in ships and ports, the federal government has provided the basic infrastructure by creating and maintaining our navigable harbors and connecting waterways. A critical component includes the earlier mentioned Soo Locks linking Lakes Superior and Huron.

The Soo Locks and the St. Mary's River have both historic and immediate strategic importance. They played a vital role in World Wars I and II and the Korean War, when lakers moved tremendous volumes of Minnesota and Michigan iron ore to meet our nation's military and domestic demands.

It's the iron ore that's carried down the river through the St. Mary's that enables these lakers to provide competitive backhaul rates for low-cost commodities such as limestone, and other bulk commodities.

The steady undermining of the domestic steel and ore industries by foreign products is well-documented. Although the impact of these imports on the Great Lakes is not as widely recognized, ripple effects extend from Superior to ports in larger cities such as Chicago, Detroit, Cleveland, and Milwaukee.

In some ports, to be blunt, the impacts are viewed positively because of import-generated jobs and revenues. In others, reliant on the iron ore trade, the imports have created major hardships, as witness Taconite Harbor.

We see the two-way aspects of world trade at work daily in Superior. When Great Lakes imports are up, more ocean ships become available at competitive rates for outbound grain. Our port's primary cargo may be iron ore, but export grain is also important, as witness our annual throughput of four or five million tons of wheat, soybeans, corn, and other commodities.

When Great Lakes steel imports rise, there is less demand for domestic shipping, because each ton of imported steel replaces about 2 tons of laker cargo, about one and a half tons of iron ore, plus limestone. Hence, we're caught in a vicious cycle. Iron ore is the backbone of the regional economy, yet grain shipments from Midwest farmers, railroads, elevator employees, and other local maritime personnel are reliant on outbound grain ships to maintain our viability as a grain outlet.

It's undeniable, however, that without an active Great Lakes domestic fleet and the iron ore that provides its base cargo, virtually every Great Lakes community will suffer. The Great Lakes' primary commercial aspect is collectively Great Lakes merchant shipping and iron ore.

Any further diminishment of the Great Lakes domestic fleet would mean less revenue to the communities, fewer government services, fewer job opportunities, less industrial development, a shrinkage of the tax base.

I've attempted to provide at least a sense of the enormous importance of iron to our port system. I've only indirectly addressed the national security issue. Do I have a few more minutes, or am I running out of time?

CHAIRMAN HILL: We'll give you two more minutes.

MR. HELBERG: Thank you.

If I leave you with one thought -- I'll say this up front so I don't miss it later if I get cut out -- it would be utterly foolhardy for the U.S. to rely exclusively on foreign ore and steel. History clearly illustrates that today's friends sometimes become tomorrow's adversaries. Somehow we need to strike some balance in our national trade policies.

I find it difficult to draw a line between national and regional security. National security is what it implies, but if one region of the country sees its economy collapse, as most assuredly will occur in northeastern Minnesota if iron ore and steel imports continue to flood the U.S. market, does that not also affect our national security? Can we afford to see historically an industrially important region of our country go under without ripple effects extending into national security?

When citizens of one region of the country feel abandoned, some might say betrayed, by the federal government, are there not national security concerns?

One might argue that every region of the country sooner or later becomes susceptible to the reality of changing markets, particularly in today's global economy, but another reality involves local expectation.

Whether we like to admit it or not -- and I'm a native of this area -- in northeastern Minnesota we rely partly on government for economic solutions and partly on the domestic steel industry that somehow has always bounced back from tough times. This time it appears that what we once knew as the domestic steel industry no longer exists. Many of our nation's steel producers are no longer based in this country. A high percentage of imported steel and ore is purchased by the same companies that own and operate mines in this region; so although it should be axiomatic that the United States must have the capability of producing its own iron ore and steel, how can government protect companies that are not necessarily interested in protection?

Yet full-blown protectionism is out of the question, isn't it? Nearly every economist on the planet argues that heavy-handed protectionism is ruinous to our larger economic interests, but from a national security standpoint, I can hardly imagine the outright abandonment of the iron ore mining industry.

Maybe it's time to consider some form of domestic production subsidy as opposed to higher tariffs. We already have some thinly-veiled subsidies, "buy American" clauses, for example, imbedded throughout state and local governments, massive defensive and highway spending projects at the federal level.

Iron ore is not an export commodity, and thus a subsidy program might cause less trade retaliation than protection through high tariffs.

I'm not a GATT expert, but we already ladle subsidies on several other domestic goods, starting with agriculture. We subsidize certain domestic industries, our U.S. deep-sea shipping, under the justification of national security. I recognize them, just throwing that out, on a personal basis. The point is, we need to restructure our national trade policy. This would a good place to start.

Thank you very much.

CHAIRMAN HILL: Thank you, sir.

MR. HELBERG: Okay. Thank you very much.

CHAIRMAN HILL: At this time I would like to call Adolph Ojard -- I hope I said that correctly -- general manager, Great Lakes Fleet.

Sir.

* * *

{BOn} TESTIMONY BY ADOLPH OJARD{Boff}

MR. OJARD: Thank you.

I'm here today representing the views of Great Lakes Transportation Company, the owner of four transportation companies: Great Lakes Fleet, Incorporated, Duluth, Minnesota, which operates eight large lake ore carriers; the Duluth Missabe & Iron Range Railway Company, Duluth, Minnesota, which services three iron ore production plants, including the USS Minntac Plant, the largest in North America, and carries iron ore pellets to our company docks in the Ports of Duluth and Two Harbors; the Bessemer and Lake Erie Railroad Company in Pittsburgh, PA, which feeds Pittsburgh's blast furnaces; and the Pittsburgh & Conneaut Dock Company in Conneaut, Ohio, a bulk transfer facility handling coal, iron ore, and stone on Lake Erie. We employ approximately 1,400 people annually

and transport in excess of 20 million net tons of iron ore, which represents over 35 percent of the domestic iron ore production for 2001.

Domestic iron ore and steel-related business represents nearly 80 percent of our companies' revenue. We, therefore, are vitally interested in the future of the domestic iron ore and steel business and appreciate this opportunity to speak.

The steady increase in imports of semi-finished steel and iron ore and our growing reliance on foreign nations for the most basic of industrial needs has all the makings of a national disaster.

In the 1970s there was a tremendous investment by our companies in the future of steel and the transportation of bulk materials that support it.

Concurrent with the development of the taconite industry, the transportation system was revamped. A new larger lock was built at Sault Ste. Marie, Michigan. Huge new super-carriers were built and designed, all with self-unloading technology pioneered on the Great Lakes. Additionally, existing ships were strengthened, lengthened, and again equipped with self-unloading technology that permitted the rapid discharge of cargo and the stocking of this cargo into 70-foot-high piles on our customers' docks.

To accommodate these new vessels and the changing iron ore industry, new loading docks were built and taconite pellet storage facilities were constructed at the Head-of-the-Lakes ports.

Our companies spearheaded these infrastructure changes, building four new super-carriers, with a replacement value of \$80 million each and modernizing the balance of our fleet at a cost of \$43 million. We built three new dock and storage facilities at Duluth, Two Harbors, and Conneaut, Ohio, at a capital cost of \$75 million, and in recent years have invested \$50 million in new welded rail track and modernization of our locomotive fleet. Our companies are now well equipped to efficiently handle the movement of iron ore and other bulk commodities for the foreseeable future.

Unfortunately, our country's current treatment of the domestic steel industry could result in a significant increase in imported semi-finished steel and iron ore and the unravelling of the transportation system that now services the basic steel industry. Ships that hauled the iron ore would be laid up and eventually scrapped. Ports would be consolidated, moth-balled, torn down, and the sites sold to nonindustrial developers. Railroad tracks and rights-of-way would be abandoned and the land reverted to its original owners or sold. Locomotives and specialty ore cars would be sold as well.

Once our transportation infrastructure is abandoned and gone, it would be near impossible to justify a significant rebuild. The competitive environment we have created to serve our steel industry would be lost.

On the Great Lakes, we have another issue. Iron ore is the backbone of Great Lakes shipping. The 58.5 million net tons that shipped in 2000 represents 52 percent of the total domestic Great Lakes shipments. Its loss would have a negative impact on the movement of all other bulk materials such as coal, stone, and salt as inexpensive backhaul rates would disappear. These rate changes would drive many companies out of business or push them to other sources and less environmentally friendly modes of transportation. A lake waterway system that moved 113 million tons in 2000 would be turned on its head.

Others have and will address the direct and indirect impact of steel imports and iron ore on the national scene and, certainly, its far-reaching impact on our national defense.

I would like to draw your attention to the importance of transportation, particularly to Great Lakes vessel transportation, on a national basis.

In 1998, 58 U.S.-flagged lake vessels employed over 2,000 American mariners and transported 122 million tons of dry-bulk cargo. If we include the Canadian and overseas carriers, approximately 200 million tons of cargo moved through the Great Lakes and the Seaway System, making it one of the busiest dry-

bulk waterways in the world. Therefore, the impact of the tonnage reduction on the Great Lakes community is far-reaching and profound.

The shoreside support group for this industry is highly skilled and technical, with many of this group serving both the Great Lakes and the coastal marine industry. They are part of our national defense base, and they are involved in the construction and the repair of our military vessels. An erosion in their numbers would be felt by our military commanders.

Additionally, it is the Great Lakes shipping industry that recruits, trains, and employs many of the American mariners who man the ships, who defend our nation in national emergencies such as Desert Storm.

Although the vitality of the iron ore industry is very important to our company, it is more important to our country. Steel is the keystone to a modern industrial nation and the defense of that nation. The policy we develop with respect to this industry will have significant future impact.

The focus of my statement has been on transportation, the infrastructure, the assets, the personnel that move the materials, that produce the products.

I thank you for the opportunity to speak and hope this perspective has been both helpful and informative.

Thank you.

CHAIRMAN HILL: Okay. Thank you, sir.

At this time we'll recess for a 30-minute break. We'll reconvene back here promptly at 5 o'clock.

(A half-hour recess was taken.)

CHAIRMAN HILL: The hearing will come to order.

We would like to begin by calling Michael Lalich, director of the University of Minnesota Natural Resources Research Institute, with Dr. Donald -- oh, boy. Fosnacht. I'm sorry.

MR. FOSNACHT: That's good, thank you.

CHAIRMAN HILL: I would like to remind all the witnesses one more time for the final panel that again we would like to ask you to keep your comments to five minutes each. That leaves us five minutes for Q's and A's from the panel. Our timekeeper, if you raise your hand in the middle there, will give you a two-minute warning, a 30-second warning, a stop warning, and then an end-of-the-world warning. So I appreciate his efforts as well.

Without further ado, Doctor.

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{BOn} TESTIMONY BY DONALD FOSNACHT{BOff}

DR. FOSNACHT: I'm Dr. Donald Fosnacht, director for the Center for Applied Research and Technology at the University of Minnesota Duluth in the Natural Resources Research Institute. Dr. Lalich could not be here today, and I'm testifying on my behalf as well as his.

I must say upfront that our views do not necessarily represent those of the University of Minnesota, but collectively we have over 50 years of research and development experience relating to the iron and steel industry. In fact, I worked directly with the steel company in various capacities for 20 years before I joined the University.

I want to first talk about the critical role of iron ore in the steel industry. The University of Minnesota was very intimately involved in the origin of taconite processing, and our iron ore and steel have been linked with having a strong and viable steel-based manufacturing segment for all industrial nations, including the United States. For the United States, the Minnesota and Michigan Iron Ranges have historically played the vital role supplying ore to its steel industry. Now, however, our country is faced with the proliferation of excess steel capacity throughout the world. The reasons for this are multi-fold and include the preeminence of steel as a basic manufacturing material for the subsequent consumer industries. Those industries produce the goods that we depend upon for our everyday existence.

The existence of self-contained steel-manufacturing capability has been a national policy for most countries because of the severe adverse effect that can occur should the steel materials that drive production be cut off due to natural disaster or political unrest in a foreign country, or if a state of war should occur within the supplier countries.

In the past, key industrial commodities that are needed to satisfy industrial demand have been stockpiled strategically in the United States so that they would be available in times of national emergency. And I must say, it is hard to imagine how we would stockpile critical materials, steel materials, in such a manner due to the high volumes that are required for our manufacturing systems and the variety of steel types that would have to be on hand to meet all our steel needs.

Iron ore is the starting point for the steel manufacturing system. This vital resource is the key virgin ingredient in making the steel we utilize today. Iron ore coupled with scrap are utilized to make various steel products that drive the economy.

The nature of steel-making has undertaken a dramatic transformation to include more mini-mills as a great proportion of steel production, and the introduction of more modern techniques, such as strip casting, are likely in the near future. In any scenario, however, the importance of iron ore as a starting material will be critical.

Recent history shows that the lack of alternative domestic sources of basic materials can wreak havoc on the economy of our country. One only has to look at the oil market and the Organization of Petroleum Exporters to see what might occur if we lose our domestic supply of iron ore. When our economy utilizes over 130 million tons of steel per year and this need continues to grow, can we afford to have our future needs satisfied by foreign producers alone?

I would like to talk a little bit about semi-finished steel next.

Aside from the considerations I mentioned above, in terms of our potential dependence on foreign suppliers, it must be realized that the use of semi-finished steel is a direct substitute for iron ore that comes out of Minnesota and Michigan. Semi-finished steel has as its origin the very raw material we produce locally. In fact, most foreign-produced steel for flat products is made from iron ore using the blast furnace process or from direct reduced iron ore processed through electric arc steel-making furnaces. In both cases, iron ore is the key starting ingredient.

There is no question that the use of semi-finished steel decreases the amount of iron ore that is required to produce finished steel products. The two commodities are directly linked. We, therefore, must question long-term consequences of increasing the use of semi-finished steel in terms of the potential supply threats that may occur if our domestic iron ore industry is allowed to die.

When you look at the competitive imbalances in the world marketplace, the government has had a continued influence on the cost of steel manufacturing in this country through various regulatory bodies and their influence on the cost of steel manufacturing. In many cases, producers of semi-finished steel possess lower costs because they exploit their people with low wages, they do not restrict the amount of pollutants that they generate during steel production, and they maintain production regardless of costs. It seems to be morally questionable for our society to utilize steel produced under such conditions to drive our own economy.

In terms of impacts on research and technology development, a visit to any modern mine or steel plant in this country would dispell this notion very quickly. Our plants today are models for the actual use of sophisticated computer process control systems and other advanced technologies. Mining and steel production are basic consumers of this high-technology equipment. And I

must say that the significant portion of the cost that has been reduced over the course of the last decade has been due to implementation of advanced technologies in our mines and in our steel companies.

A key thing that must also be considered is the impact on our northeastern Minnesota's economy. The first thing, the loss of tax revenues, would have a great impact on our infrastructure. Secondly, a key thing that I think is very important, if the steel industry does go down, it will have a big impact on the ability to recycle scrap in this country, and that will tax landfill sites as well as the governments, both on the municipal and state level.

I think that there is, no doubt, many things that we can do for the steel industry and for iron ore in general if we focus on those things that are important in terms of making them competitive. For the immediate term, this means that the government should enforce our laws when unfairly traded steel products come to our shores. In addition, we must find way to enhance the cost efficiencies and profitability of our mines and steel plants, and support the research and development of new technologies that will allow us to modernize our capabilities so that our industry will remain viable in the years ahead.

This country needs viable basic industry to remain in a preeminent economic position. It is our sincere hope that our leaders in Washington will do their part to make this happen.

Thank you.

CHAIRMAN HILL: I don't mean to put you on the spot, but earlier, we've heard from several individuals with very specific remedies, either through subsidy, guaranteed loan program, et cetera, et cetera. Do you have any specific proposals? And again, I'm putting you a little bit on the spot; so if you like, we can take those from you later. But do you have any specific proposals you would like to share with us?

DR. FOSNACHT: There is a number of technologies that we think will help the iron ore industry become more competitive. Some of those include new methods for reducing the amount of energy used in the concentration process. There has been research done on those technologies over the course of the last eight years.

One of the problems we have is being able to take those things from a laboratory into actual production facilities because of the capital constraints that many of these companies are facing. So there are many things that can be done from a technological standpoint. We, for example, have worked on that particular energy-production technology as well as the many advanced process control technologies that will help optimize the overall mining quotient. But again, the thing that keeps stopping us is the inability of these individual mines to be able to have the money to make changes in their processes because they're so capital-intensive.

So, as was mentioned before, if we can somehow allow some guarantees to come in place which will allow the freedom to get some capital money, our mines can modernize and become more efficient and much more cost-competitive because these technologies are out there.

There is also new technologies that can expand the market of our iron ore to serve even the electric furnace community of this country, and that involves the advanced direct production technologies that are available today. Some of this work needs to be supported by -- at the federal level as well so that we can take out some of the high risk associated with some of these processes, because they are capital-intensive. So there is many different things that we think can be done for the industry, both from the standpoint of the iron ore mines up here, as well as the steel industry in general, to make them competitive.

CHAIRMAN HILL: I would invite you -- if you would, at your leisure, I invite you to submit that to us before the August 17 deadline. We would be very interested in reviewing a paper that would lay out those different technologies.

DR. FOSNACHT: We would be glad to do that.

CHAIRMAN HILL: That would be very, very helpful.

MR. BOTWIN: And some could have estimates.

CHAIRMAN HILL: That would be very helpful. Okay. Thank you very much.

DR. FOSNACHT: You're welcome.

CHAIRMAN HILL: At this time I would like to call Sally Christensen with the Northeastern Minnesota Development Association.

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{BOn} TESTIMONY BY SALLY CHRISTENSEN{BOff}

MS. CHRISTENSEN: Hello. My name is Sally Christensen. I'm the assistant director of the Northeastern Minnesota Development Association. NEMDA is a regional nonprofit private sector organization comprised of over 300 business, industry, labor, education, and medical interests. NEMDA's mission is to foster long-term economic vitality and regional growth in northeastern Minnesota.

A viable domestic iron ore industry is critical to both Minnesota and to the nation's security. The Iron Range mines have a strong record of contributing to national security. From 1941 through 1945, Iron Range mines produced more than 250 million tons of iron ore to boost the World War II efforts. Iron ore was used to produce steel for tanks, ships, and airplanes.

The current U.S. trade policy of allowing cheap imports of semi-finished steel such as slab steel has weakened the domestic iron and steel industry. Steel imports in 1998 hit a record of 41.5 million tons. That was followed by 35.6 million tons in 1999 and 37.8 million tons in 2000. Those are the three highest level imports -- steel import years in history.

The consequences from allowing this policy to take place are clear. Illegal dumping of foreign steel by foreign companies and nations is destroying our jobs, companies, and communities. Nationally, 18 steel companies have filed for bankruptcy since the crisis began, idling tens of thousands of workers. With prices and profits down, investors have abandoned the industry, which needs capital to modernize and remain competitive.

The United States must have adequate supplies of domestic iron ore and steel in order to maintain our defense infrastructure and readiness should we find ourselves in a future conflict.

Our men and women in the military are trained and ready, but they will need proper weapons and essential equipment to ensure our national security. This will require a readily available supply of steel. For example, it took 47,000 tons of steel to build the USS Ronald Reagan aircraft carrier. It takes 70 tons of steel for each M1A2 Abrams battle tank.

We have the iron ore and taconite to protect our people and our shores. However, our iron ore mines and blast furnaces, once shut down, cannot be put back into production on short notice. Consequently, the defense of our country would be dependent on supplies from other places such as China, Russia, Ukraine, India, Japan, South Korea, and Brazil.

But most important to us is a viable domestic iron industry is critical to the livelihood of northeastern Minnesota. The loss of over 5,000 mining jobs in Minnesota, factored in with related employment of two spin-off jobs for each mining job, would be devastating. Unemployment on the Iron Range would likely rise to close to 20 percent, with little hope of finding any work at all, much less comparable employment.

The taxes paid by the mining companies, their employees, and the associated businesses are crucial to local units of government and their ability to provide services. Included in this are local public school districts, colleges, and universities.

If iron ore mines closed down, the highly trained workforce will be forced to leave these rural areas to find adequate employment.

Unless some meaningful action is taken soon, more U.S. steel companies will fail, more Minnesota taconite miners will lose good-paying jobs, and communities will further lose the tax revenue associated with these jobs.

On a fair trade playing field, we can compete and win. All we ask for is fair enforcement of the rules for the benefit of our taconite workers, their families, our communities, and our nation.

We appreciate your serious consideration of these comments as a Section 232 investigation goes forward.

Thank you.

CHAIRMAN HILL: Thank you.

At this time I would like ask the Most Reverend Dennis Schnurr, bishop of Duluth, to come forward.

Sir.

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{BOn} TESTIMONY BY BISHOP DENNIS SCHNURR{BOff}

BISHOP SCHNURR: As the bishop of the Catholic Diocese of Duluth, I want to welcome you to northeast Minnesota. Thank you for holding these hearings here in Virginia so that our community can speak out on the current conditions in the steel industry.

In a very real sense, you have come to where steel begins. This Iron Range, one of the largest deposits of iron in the world, for more than 100 years has supplied the ore that becomes the steel that builds this great industrial nation.

As a spiritual leader, I would like to say first of all that I see a deep and profound faith in the people here. Miners and their families, like the generations before them, place their faith in God as they rely on the weather, safety conditions, and the earth itself for their livelihood. Yet what our community faces today is not the vagaries of nature, but the consequences of unfair trading practices by foreign competitors that in turn disrupts a local economy and splinters our social fabric.

Others have given you the facts and figures. You certainly know that the U.S. steel industry is not afraid of competition. Technology and automation have transformed the industry into a world-class competitor; energy-efficient, environmentally conscious, and with the highest labor productivity in the world.

Yet foreign cartels that distort the world's steel markets continue to undermine the U.S. steel industry and the welfare of its workers. The industry faces unfair trade practices and significant distortions in the world steel markets. Excess capacity, restricted foreign markets, and dumping remain major problems. Too often subsidies from foreign governments to their steel producers leave us at a dangerous disadvantage.

Allowing this industry to fall by the wayside is more than a moral failure, it is endangering our autonomy and our ability to provide for our own security and economic well-being. There are those would believe that small communities serve no purpose anymore, that they're a thing of the past, consequently are not worth saving. It is clear that small communities on the Iron Range have a value far beyond nostalgia. The small communities that comprise our steel industry have sustained this country in times of natural emergency as well as during times of war. Their hard work and perseverance have ensured that our nation not be forced into a position to rely on foreign steel in times of crises.

I am not an expert on international trade, nor am I an expert an global corporate structures. I am a pastor who sees the human and social consequences of these global actions on individuals, their families, and their local economy. We need to accept that if the current trade practices continue, our indigenous production will cease.

There will come a day when the United States seeks to reincarnate the American steel industry and will be unable to do so. This will not be because

of a lack of natural resources, but because the infrastructure will no longer be available. Our steelworkers will have moved on, those working on railroads will have moved on, those working within the shipping industry will have moved on, and the surrounding enterprises will collapse. No longer will there be the ability to call upon our local steel industry.

In addition to national security issues, Catholic social teaching on the international economic order raises a number of moral considerations that need to be taken into account.

First, free trade must be fair trade based on rules. Trade is fair if it is subject to the demands of social justice. Trade and investment can be truly beneficial if they serve the development needs of the countries involved and help to lessen, not exacerbate, inequality or injustice.

Secondly, the economy exists to serve the people, not the people for the economy. The primary purpose of economic exchange should be not simply mutual gain, but improvement in the living conditions of the people involved, and especially of the workers. We can count their care among our moral responsibilities.

As Pope Leo XIII stated, and I quote, "In protecting the rights of private individuals, special consideration must be given to the weak and the poor. For the nation, as it were, of the rich is guarded by its own defense and is in less need of governmental protection, whereas the suffering multitude, without means to protect itself, relies on the protection of the state. Wherefore, since wage workers are numbered among the great mass of the needy, the state must include them under its special care and foresight," end of quote.

A society can be measured by how its most vulnerable members are fairing. Today we find our most vulnerable members in the faces of every resident of northern Minnesota: steelworker, teacher, pastor, child.

Finally, no one should take lightly the environmental concerns that our domestic steel industry has addressed and many foreign producers have not. As the Catholic bishops stated in a recent statement on global climate change, protecting the environment "is not about economic theory or political platforms, nor about partisan advantage or interest group pressures. It is about the future of God's creation and the one human family. It is about protecting both the 'human environment' and the natural environment."

I hope that the principles and criteria I've outlined will be of use to you as you weigh the political and economic, but more especially the ethical aspect of the situation we face as a community dependent upon steel.

I urge you to provide us with a level playing field so that foreign markets are open to our products, our local communities supported, our environment protected. In the end, you need to provide adequate resources for vigorous enforcement of U.S. trade agreements and U.S. laws against unfair trade and to remember the words of Pope Paul VI: "If you want peace, work for justice."

Thank you.

CHAIRMAN HILL: Thank you, Bishop, for those very thoughtful comments, and we will remember your words as we proceed. Thank you very much.

At this time I would like to call Lory Fedo -- I'm sorry -- president and chief executive officer of the Hibbing Area Chamber of Commerce.

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{BOn} TESTIMONY BY LORY FEDO{BOff}

MS. FEDO: FEED-oh (phonetic). It's the Irish pronunciation.

Thank you. Thank you for allowing me to testify, particularly after the bishop, and -- but really, thank you, because this is easily the most important thing that I have ever done in my life, and I am serious about that.

My name is Lory Fedo, and I am the president and chief executive officer of the Hibbing Area Chamber of Commerce for the last 10 years. Prior to that, I lived and worked in Duluth, Minnesota, where my husband was the mayor for 12

years. Early in my career, I worked for the former Governor Rudy Perpich, who, by the way, was an Iron Ranger.

I would like to deviate from what would be expected testimony from the Chamber. Following me, several members of the Chamber board will testify to our concern for the industry and the economic climate. Instead, I will describe for you my life experience as a person who lived through the collapse of a mining community. I will also express my concerns as an American who has considerable military understanding and concern.

I will reference in my testimony remarks taken from an attached document written by Veda Ponikvar, Civilian Aide to the Secretary of the Army. Veda was also the first woman publisher in the state of Minnesota.

Veda will not be testifying because she's unavailable; however, I thought you should hear from her, since she is considered one of the most learned Minnesotans on military affairs. I urge to you read her document in full.

I have also attached a table that shows the amount of ore shipped from Minnesota in the last century. Please note the increases during wartime.

I was born on Elmendorf Air Force Base in 1955. My father actually served in the Army. My mother worked for the FBI prior to my birth. Both of my uncles served in World War II, and one was held in an Italian prison camp for two years. He continued his career in the CIA and served in Spain, Germany, Okinawa, and Saigon.

I have received honorary membership to the Northland Vietnam Veterans Association and received an Award of Merit from the Retired Enlisted Officers Association.

As you may have surmised, I take defending and protecting America very seriously.

My family moved to Ironwood in Michigan's Upper Peninsula in 1958. At that time, the mines were booming. My father became the manager of a mining lease-holding company. To make a long story short, all of the iron mines in the western UP closed while I was in grade school due to the opening of the more sophisticated and economical mines in Minnesota and eventually the central UP.

Before they closed, I enjoyed a life similar to most children. Our school opened each year with a general assembly, only ours featured a movie which spoke to the importance of iron ore in building America, the automobile industry, and in defending our nation. We were told it was our iron ore, like Minnesotans were told, that won World War II. We were told that if there was a nuclear war, our region would be bombed first. Consequently, we were continually drilled in civil defense procedures. I was and remain proud of my hometown.

My world quickly changed. As each mine closed, hundreds if not thousands of people left my community and a dozen other communities in the vicinity. Entire townships and locations, even towns, were deserted. Ironwood, which was 21,000 people, is now 7,000. Our unemployment hovered between 30 and 40 percent, not 20 percent. The mining lands filled with water and dirt, and I spent many summers with my father planting over pits and abandoned communities. Schools, churches, and businesses closed. Our population became old quickly, and all of my childhood friends moved, usually to Minnesota.

Because of our regional isolation, few new businesses came in, and our economic base spiraled downward for decades. Today, 40 years later, it is still not stable. Many more people live in poverty. Old rail lines, roads, and utilities have been allowed to deteriorate or have been ripped out. It grieves me to say that though the richest ore in the world lay beneath Gogebic County, the iron mines will never reopen there. I guarantee you -- I guarantee you -- that the same will happen in Minnesota if the mines are allowed to close.

My question today is: How can it be that this region and this industry, which was not so long ago critical to our national defense, suddenly can be unimportant? If domestic steel and taconite built America, what will build it when illegally dumped steel imports put us out of business and other countries

control supply and prices? If the industry folds on the United States, how will the Upper Midwest survive the shattering of its economic base? How will America shoulder the burden? And most importantly, how will we defend this great nation without the ability to produce taconite domestically?

Veda asserts in her attached remarks that our country has cut back drastically on American ships, planes, weaponry, vehicles, and so on. Given that, we would not have time to spare in the case of a foreign threat, yet it would take years to rebuild the taconite industry, years and billions of dollars.

We should not be so naive as to think that other nations have not figured this out and even perhaps see the crippling of American steel and taconite industries to be advantageous to their own national security. Whether there is a foreign conflict or not, this will weaken America and its real and perceived position as a world power.

We are all testifying here today to protect our rights as Americans, to work and fulfill our promise to our country, to defend her, and to be productive and useful citizens. America, too, must fulfill its promise to us, to allow us as a people to work and live freely in a fair and just economic climate and to keep our nation safe and at all times be prepared to defend its borders.

In Veda's words, the military needs steel, and our nation depends upon and expects the military to be trained, strong, and ready. Much of our nation's strength depends on Minnesota ore.

Thank you.

CHAIRMAN HILL: At this time I would like to call James Kochevar, general manager, Hibbing Public Utilities Commission.

Sir.

* * *

{BOn} TESTIMONY BY JAMES KOCHEVAR{Boff}

MR. KOCHEVAR: Good afternoon, and thank you for the opportunity to testify today with regards to the iron mining and domestic steel industry.

My name is Jim Kochevar, and I'm the general manager of the Public Utilities in Hibbing and a licensed mechanical engineer in Minnesota.

As a lifelong resident of Minnesota, first vice chair of the Hibbing Area Chamber of Commerce, and the son of a retired career iron miner, I'm well aware of the economic impacts of iron mine closures. I'm sure that through your study and today's testimony, you've heard much about the impact of the closure of LTV Steel and the state of today's iron mining industry and the impact that has had on our area.

Today, rather than economics, I would like to address what I perceive as a threat to national security imposed by the loss of our iron mining and domestic steel industry, especially in relation to utilities and infrastructure.

Electric utilities are intricately dependent on the nation's transportation systems. Fuel for electrical generation is delivered to the vast majority of powerplants in the U.S. by rail, truck, barge, or pipeline.

I ask you to think about that for a minute. These are essential transportation modes that are incredibly dependent upon steel. Now, as these transportation systems are likely to be targets in time of war, their repair and reconstruction will be dependent on a domestic source of steel.

It's foreseeable that strategic strikes to rail, road, and bridge ways, as well as to pipelines, could drastically reduce the nation's ability to generate power. Once existing reserves of fuel at respective powerplants are consumed, it is essential that there be a means of transporting more.

My fear is that without a domestic ore supply and steel industry, this means of transportation may not exist. While electric generation is already in short supply in many parts of the country, further shortages could pose further sustained outages, creating an economic hardship and a national security threat to many affected areas.

A second concern is being able to obtain equipment and/or repair parts dependent on ore and steel for their production. Now, in my experience, I've seen lead times of up to 12 months for pieces of equipment critical to powerplant operation. These lead times are under circumstances where steel is available to fabricate and assemble the equipment. I cringe to think of the delays that may be involved in fabrication and delivery if the basic ore and steel supplies do not exist.

Further, this is a circumstance that is not exclusive to the utility industry. The same can be said for virtually all manufacturing and production processes that utilize specific and specialized equipment. Simply put, a lack of domestic steel and ore could potentially cripple any manufacturing, production, or generating process as well as defense and weapons systems.

Finally, I would like to speak to the difficulties involved in restarting any production process once it has been shut down. I remember a day when I was working for Northern States Power Company in January of 1989 when the company called on a 420-megawatt peaking plant in a time of need. Now, this seldom-used facility's staff had been reduced to a skeleton crew to only keep up with routine maintenance.

Now, on that day and the days to follow, not one of six combustion turbines were able to come online. I was the engineer that was sent to that site to rehab the units to a reliable state. With a fully trained staff and experienced craft labor, it took us months to return that site to a reliable and trustworthy status; and by months, it was 18 months before that plant was up and fully functional again in a reliable state.

The start-up process is difficult at best under the best of circumstances. The best of circumstances would mean that the facility was shut down in an orderly, controlled fashion and that all of the necessary equipment was properly maintained while it was down. It also means that well-trained personnel, preferably those who shut the facility down, are there to start it up.

Now, my point is this: If iron mines and pellet plants are closed, it is unlikely they will be started in an expedient manner. Trained staff will be lost, maintenance practices will be dropped, and utilities and infrastructure may deteriorate and be lost.

Our nation's ore reserves reside in an area where weather can take a fast and devastating toll. Water lines freeze and break regularly under normal circumstances, let alone in a shutdown state. Wind, snow, sleet, and ice can wreak havoc with electrical systems. Power lines break. Valves and pumps fail.

We heard testimony earlier today that it may take as much as six months to start an inoperative mine due to dewatering efforts. I think that six months is dependent on the fact that the pump casings haven't cracked because they've frozen and check valves haven't failed because they're frozen and water lines haven't cracked because they're frozen. That's the reality that we deal with here in this part of the country. These are all things that utilities in northern Minnesota deal with every year. They're also things that can prevent a facility that has been shut down from coming online.

Now, if this is where our domestic ore and steel industries are heading, from my perspective, it is to the devastation of our economy and our national security. Our domestic ore supplies and steel industry under the present conditions are not going to be there for us in time of need. This most definitely, in my opinion, poses a threat to our national security.

I thank you for the opportunity, and I would be happy to answer any questions that you would have.

CHAIRMAN HILL: Thank you.

Are you aware of any efforts, either on a regional or statewide basis, from an economic development point of view, to attract other industries? As you've testified and others, there are rail systems, lake-borne transportation, and other systems in place. Has there been any effort, number one, to attract

other industries that might find parts of Minnesota, the Iron Range, attractive from a quality-of-life point of view to locate their industries here with the available transportation systems? And second, if so, or even if not, do you see a federal -- is there a response from the federal government that might help or aid in that endeavor, those endeavors?

MR. KOCHEVAR: I think there are continuing efforts to try to attract industry and other business to the Range. Obviously it's an area that has an awful lot to offer. There is a pretty well educated, diligent workforce, the work ethic is very good, the infrastructure is in place, there are solid utilities. There are industrial parks that have been developed across the Iron Range trying to attract other businesses. They have met some success, although I wouldn't say a large success. There are certainly no successes to the scale of the iron mining industry here.

From a federal perspective, I'm not well versed in the programs that exist to try to aid -- when you're trying to attract outside industry and business, it always comes down to money, what are you able to offer us. Any federal assistance in that regard in the development of industrial parks and the installation of infrastructure would certainly help.

I think most of the point of my presentation today was the fact that aside from the economies of losing the iron mines, the fear is losing the ore itself and not being able to produce domestic steel to repair any infrastructure that may be damaged in wartime.

MR. THOMPSON: Mr. Kochevar, for the iron ore mines, do they require any services, public utilities, power, that sort of thing? And if so, what would be the impact of the shutdowns?

MR. KOCHEVAR: The impact of the shutdowns to the utilities?

MR. THOMPSON: Do they require power?

MR. KOCHEVAR: Yeah. The iron mines and the pellet plants in particular require very large amounts of power. Now, we have two operative iron mines that reside in the city limits of Hibbing. We do not serve them as a public utility. The local investor-owned is Minnesota Power, of who we're a wholesale customer. We generate also, but we don't generate for those facilities.

I think there would be a large impact. Those are very large and very big customers. They're predictable customers. You know what your loads are, and you know when their loads are going to be there.

Someone earlier testified to the demand charges that the iron mines pay to the utility companies. Now, those are charges that are there to have the infrastructure in place to be able to deliver the volumes of power that they require. They're very large power consumers, and I believe would have a great economic impact on the local utilities, particularly Minnesota Power in this case. While I don't wish to speak for them, that's my perception.

MR. THOMPSON: Thank you.

CHAIRMAN HILL: Okay. Thank you, sir.

MR. KOCHEVAR: Thank you.

CHAIRMAN HILL: I would like to ask Carol Ranta, President, Wells Fargo Bank of Minnesota.

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{BOn} TESTIMONY BY CAROL RANTA{BOff}

MS. RANTA: Let me begin by briefly telling you who I am. My name is Carol Ranta. I was born and raised here and have worked my 20-year banking career on the Range. I have been a banker for about a dozen years in Virginia, six years in Ely, and now serve as bank president of Wells Fargo in Hibbing, where my family and I reside.

Wells Fargo plays an integral role in supporting the Iron Range. We have banking locations in six Iron Range communities as well as Duluth, our port city that ships our taconite pellets to other markets.

Wells Fargo is my employer, but as I look at the bigger picture, I am truly employed by the iron mining economy of the Iron Range. I am a member of the vast infrastructure that supports the iron mining industry.

I thank you all for coming to Virginia today to hear our story. It is important for you to know the following:

More than 70 percent of the United States steel companies have filed for bankruptcy protection within the past three years due to foreign steel flooding our markets and 20-year record low prices for steel.

On the Iron Range, we had LTV Mining in Hoyt Lakes permanently close and another, Hibbing Taconite, go into a shutdown mode within the past 12 months.

The fate of Hibbing Taconite's primary owner, Bethlehem Steel, the nation's number two producer, is literally to be decided within the next few months. I have attached an exhibit that I would like in the record regarding Bethlehem Steel.

CHAIRMAN HILL: It will be.

MS. RANTA: This financial crisis is at the doorstep today for most of the industry. Folks, simply stated, our domestic steel and mining industry is in crisis. The iron ore of the Range is the ore that went into the steel that built this country. It went into our tanks that helped us in world wars. It built our bridges, railroads, and automobiles. It is unrealistic to expect our steel and mining companies to compete with foreign subsidized ore and steel. Subsidized slab steel and iron ore imports is not free trade, but rather unfair trade. The rules need to be fair on both sides of the ocean.

The time to act is now. To say that our steel mining industries are in a state of disaster is an understatement. We don't have time left. As a banker, I see the following:

Most steel companies are in bankruptcy or about to file. Most mining companies are operating in the red and covering expenses from their lines of credit versus sufficient revenues. Reduced production has limited orders to the industry's vendors and suppliers. Most have had to charge off accounts receivables from bankrupt steel companies, causing many to be at or near financial ruin.

We have had increased problem loans with our vendor customers on the Range. Many of our customers will face financial ruin if this continues. The State of Minnesota "backfilled" the tax base loss with the closure of LTV Mine in Hoyt Lakes. It simply cannot backfill if another mine goes down. This places our Range communities in a financial tailspin which threatens today the very infrastructure that supports our people.

If we don't act today, this industry will not survive. How can we begin to place such a vital commodity as steel into the hands of foreign governments to control the supply and price into our country?

Our nation is a free country today because of our strong military. A strong military requires a strong steel industry. You cannot have one without the other.

Given the current crisis, if we don't act today, more steel companies and mines will simply fold. To think that we can go back and reopen them with a snap of our fingers is not possible. The time it would take to retrain a workforce is literally years. The amount of capital is millions and millions of dollars to reopen these plants.

The extensive infrastructure that supports this industry includes more than vendors, it includes vibrant communities that attract and sustain good workers in both the plants and support industries. To replace entire communities becomes unfathomable.

To support our industry not only through import restrictions but also through support for value-added products for our taconite pellets is essential.

There are those who are benefiting from cheap imports of slab steel and iron ore today. To those, I ask: How long does it remain cheap if foreign

governments become the primary supplier of steel? I also say we need to have the foresight to see beyond temporary financial gain versus long-term stability.

I realize that there are opponents to any restrictions or controls on foreign imports of iron ore and slab steel. To those, I say for everything you get in this life, you have to be willing to give something up. I have learned that for anything worth having, you have to pay the price.

In recognizing the importance of our national defense, our transportation system, and consumer needs for steel, I ask that you join me today by taking the actions necessary to protect our industry and country.

Thank you.

CHAIRMAN HILL: We heard from an earlier witness recommending to us that we consider a federal guaranteed loan program for the mines. As a banker, what is your reaction? Would Wells Fargo support such a program?

MS. RANTA: Absolutely. And the reason why I say that is if you take a look at the industry today, the attachments that I gave you on the status of Bethlehem Steel, for example, they are in a forbearance agreement, which means they're not complying with their own covenants. That forbearance agreement expired June 30, this last month.

If you read further within the attachment, they need immediately infused into the company \$270 million. To go to their banks today with their financial statements, with the status of the industry -- and as banks, we have a fiduciary responsibility to our depositors to make solid loan decisions -- how can that loan decision be made? And so absolutely I support a loan guarantee program. I think it would be one of the essential steps.

And I also attached some other items, and I read in the Wall Street Journal on Monday that our -- the Bush Administration is taking some steps, some big steps today, recently, and asking these countries to come to the table to discuss steel imports and production levels, and I commend that. I encourage that to be continued, and I also say look to the aluminum industry.

The aluminum industry faced this crisis in 1994. They came to the table, the countries affected, they agreed on production levels, and guess what? The price for aluminum went up. Today the aluminum industry is one of the most profitable industries in every country that produces aluminum. It provides stable jobs, stable employment, and I say we can do that with our steel industry.

CHAIRMAN HILL: Thank you very much.

At this time I would like to call Mitchel Robertson, President, TriTec Engineering and Steel Fabrication.

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{BOn} TESTIMONY BY MITCHEL ROBERTSON{BOff}

MR. ROBERTSON: As our late President John F. Kennedy simply stated, "Ask not what your country can do for you, but what you can do for your country."

You, the steelworkers, elected officials, and business leaders, now is the time to exercise your right to keep our nation sovereign, one nation, for the people, and by the people.

I Mitchel Robertson, started TriTec Engineering and Steel Fabrication with a dream to manufacture the highest quality steel processing equipment and components. We achieved our goals and sustained a profitable business by employing the best fabricators in our region. Our employment package includes excellent salaries, 100 percent company paid insurance, and a matching 401(k) plan. We use domestic steel only in our manufacturing process, which is our largest raw material expenditure. This type of business is key to the Iron Range because it provides a great quality of life for our workers and we employ the people necessary for the steel industry to succeed.

In the year 2000, we were on a record pace to achieve gross revenue sales of \$2 million, up \$1 million from 1999. But the year 2000 proved to be one of surprise, anguish, disbelief, and strife. The continued influx of dumped

foreign steel finally brought each steel company to its knees, and consequently TriTec.

I speak for the 30- to 40-year-old community, and we are the families of today and tomorrow on the Iron Range.

I moved here from West Virginia 10 years ago, and at that time I was one of very few people who were young and had a job in the steel industry. Six years ago I saw more people moving back to the Iron Range because the steel industry workforce was older and retiring more than in previous years. More than anything, there was a restored sense of confidence in job security that had been extremely weak for the previous 15 years.

Our generation now faces relocation, which has resulted in enrollment reductions in schools, teacher layoffs, and potential school closures. It also means a much lower tax base for the people who choose to stay and a greater dependence on state and federal government for assistance.

If we lose our steel industry and are faced with a wartime steel crisis, it will take a substantial amount of time to revitalize our stagnating plants and manufacturing support businesses to maximize production levels to meet our steel demands. In the same respect, we will need qualified workers to do the job. We are at high risk of not meeting this demand, because most young people are pursuing other professions due to the current volatility associated with this industry.

Many who have already lost their jobs do not wish to return to this industry or the Iron Range. They're retraining in other fields and moving away for a more secure work environment.

Last of all, it will take millions of extra dollars to bring our plants back to full operating capacity. We need to ensure steel plant longevity by enacting stringent policies which deter unfair foreign competition. I know that this will save us millions of dollars in the long run.

On the day after our 225th year of Independence, I can only think of a similar situation our forefathers faced before the Revolutionary War. The British made it a major crime for anyone to manufacture rifles, rifle parts, or gunpowder in the new America. The king and his leaders knew if they controlled this industry, the chance of a revolution would be significantly reduced and British victory would be imminent if one was commenced. I believe our forefathers would be extremely disappointed if we should allow ourselves to be in the same situation.

My great, great, great, great grandfather, of English descent, served proudly and survived the American Revolution. I know he's looking down from the heavens above, proud to see his grandson fighting for what is not only right, but it is in the best interest of our nation.

Now it is up to you to do the same.

I would like to extend my appreciation to this panel and all who are present for taking the initiative to look further into this serious matter and provide us with some commonsense policy so we may continue to be the number one nation in the world.

Thank you.

CHAIRMAN HILL: Thank you.

At this time I would like to call Arthur Lind, President, Charter Inc.

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{BOn} TESTIMONY BY ARTHUR LIND{BOff}

MR. LIND: For the record, my name is Arthur Lind. I go by Art. I am the president of Charter Incorporated, an industrial equipment and supply company that has served this iron mining industry for over 50 years, and a company that I've worked for continuously for the past 26 years.

An interesting note. I began my working career in 1962 for this company, sweeping the floors, cutting rubber, making deliveries, and so on. In the interim, between 1962 and 26 years ago, I worked for the iron mining industry

directly for about seven years. I put four years in the Coast Guard, all served on the Great Lakes, two years aboard the Mackinaw, which is the ice breaker that takes these ore boats through the lakes and through the Sault Ste. Marie locks.

I also worked for one year for Bechtel Corporation during the construction of National Steel Pellet Company and Butler Taconite Company, which is about 50 miles west of here, or was about 50 miles west of here and is no longer in existence; and that kind of stands as a reminder of what could happen to this industry.

It's an honor for me to be able to testify for an industry that has given such a high quality of life to the residents of northeastern Minnesota for such a long time. Having this hearing the day after the July 4 celebration can only emphasize the industry's importance to this great country.

For the past 110-plus years, we've been mining iron ore from Minnesota and Michigan; and while the high-grade ores have long been gone, we have vast reserves of taconite ore, which could keep this community vital for perhaps another 100 years.

Taconite is an ore that contains about 30 percent iron and is found in a very hard rock formation. The process to produce pellets from this ore includes mining, crushing, grinding, concentrating, and pelletizing. It sounds simple; however, anybody who has toured a taconite plant -- and I understand you're going to tour one tomorrow -- you can see that it is a very complicated process. There is a great deal of equipment involved, and this industry was developed through several decades of research, ingenuity, billions of dollars in capital investments, and hard work from the people in northeastern Minnesota, Michigan, and people from all across this country.

For the past few years we've seen increased imports of steel, semi-finished steel slabs, and iron ore at prices that are unheard of and below the cost to produce them. Our domestic steel industry is in a meltdown situation, as has been proven by the 18 or more integrated steel producers that have filed for bankruptcy. And if the rumor holds true, and apparently Ms. Ranta alluded to that, we'll see another major steel producer file Chapter 11 in the next 90 days that is a major consumer of Minnesota taconite pellets.

What does all this mean to Charter Incorporated and the people of Minnesota and Michigan? While some of the headlines of the LTV bankruptcy and closure of its taconite operation in Hoyt Lakes, Minnesota, have subsided somewhat, the effects of that closure along with the production cutbacks and temporary shutdowns of other taconite operations is devastating the communities that serve them.

During the past 12 months, I've had to reduce our employment from 18 down to 11 in Hibbing and a similar percentage in our Ishpeming, Michigan, office. Business closures, layoffs, and job terminations of these long-term employees, not to mention the stress to the communities which are a vital part of the infrastructure, are almost weekly occurrences. Unemployment in this area has tripled in the last 12 months. We're approaching 10 percent.

It is not likely that northeastern Minnesota would have been developed were it not for our mining industry. Every community within a 100-mile radius would be drastically affected. The infrastructure that includes this industry includes energy providers like electric power generation, rail transportation, and port loading facilities, Great Lakes shipping, the trucking industry, the corner grocery store, churches, schools, and so on.

Looking back at the history of the last 90 years, this country has fought two world wars, the Korean War, Vietnam War, Desert Storm, and other conflicts to protect our shores and the quality of life that we value and enjoy. During each of these crises, the consumption of steel armament products consumed vast quantities of iron ore, much more than normal consumption, and I've been told that 70 percent of the iron ore used for the armament process during World War II came from the Hull Rust/Mahoney mine pit in Hibbing.

So what's my point? My point is that without the iron mining capabilities that we currently have, we would have to depend on foreign countries for our needs. It is doubtful that it would be such a good buy or a good value in time of war.

Our industry is in a crisis brought on by foreign interests, a crisis that could cause the closure of several of our taconite facilities even if the steel industry survives. For every 1 ton of semi-finished steel slabs imported, we lose 1.3 to 1.5 tons of pellet production.

We're also in a critical point with the experienced level of our workforce, where as much as 70 percent have 25 or more years of experience. The next generation of mining workers is coming onboard, and we could quickly lose both the experienced through retirements and the next generation, who would have to leave the area in search of work. Who would have the knowledge then to restart these plants?

Well, so what? We still have the idle taconite plants. You've heard some testimony on the difficulties of restarting idle equipment. You can't just push the button without continued maintenance and so on. The mines would be underwater unless pumps remained in operation. Some of them could be underwater by several hundred feet and take more than a year to pump down.

Most of the specialty processing equipment at these facilities was manufactured 25 to 35 years ago, and parts and availability would soon become a major problem without the specialized industrial supply base, part of which I am involved with, that is in place now. Rail and port facilities would soon become unusable, and of course what would the ore boats haul? This whole infrastructure that was built over the last 100-plus years would disappear.

At the Iron Mining Association, we have a motto, "We help build America every day," and I think we should add to that we help protect America every day.

The next generation of iron units from our taconite ore for the steel-making process may be just around the corner. We need some time to turn that corner, and maybe a little help.

And again, thank you for the opportunity, and if you have any questions.

CHAIRMAN HILL: Thank you.

MR. THOMPSON: Would you say the equipment utilized in the iron ore mining industry is similar or different from that used in other industries? And if so, what might some of the differences be?

MR. LIND: There are a lot of similarities in processing equipment, whether you're talking some iron ore mining or perhaps copper. The processes that are involved in concentrating iron ore perhaps are different in that they use different separation processes. I guess the -- one of the main factors that is seen is the wearability rates caused by the hard rock formation and the abrasion, abrasiveness of our taconite ore and the concentrates, that parts wear out a lot faster. So there are more parts consumed, and that's why we have such a vast supplier base on the Iron Ranges.

MR. THOMPSON: Okay. Thank you.

CHAIRMAN HILL: Okay. Thank you very much.

At this time I would like to call Thomas Jamar, President, Jasper Engineering & Equipment Company.

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{BOn} TESTIMONY BY THOMAS JAMAR{BOff}

MR. JAMAR: Well, I think it's evening now, so I'll say good evening.

CHAIRMAN HILL: Good evening, sir.

MR. JAMAR: It's a real honor and privilege for me to have this opportunity to testify today. My name is Tom Jamar, and I'm a second-generation owner of Jasper Engineering & Equipment Company. Jasper has been an industrial supply company for 43 years. We supply specialty production and service to the mining industry to both the Iron Range mines and to the mines in the Upper Peninsula of Michigan, with our offices in Hibbing and Ishpeming, Michigan.

I'll address three topics as it relates to the national security threat of losing the iron mining industry in the United States. Basically my discussion will cover the impact to the amount of time it will take to restart the industry if it is allowed to shut down.

The first involves the products supplied to the mining industry. The mines are actually large, specialized processing plants. They utilize some very special equipment and some very large equipment that is unique to this type of process. There are mines in Arizona that utilize some similar equipment, but this process has some unique equipment that those mines don't use, because those are a different industry; for example, magnetic separators, specialized slurry handling pumps, 3,000-horsepower motors, large clarifiers, special classification equipment, large gearing, and special castings.

Many of these products currently have delivery times of four to five months, some as long as one year. If the mines were allowed to permanently shut down, the manufacturers of this equipment would not have a market for this equipment, and thus the lead times from them would increase. In addition, the local suppliers that stock some of these long lead items would not be able to afford to stock them any longer even if they stayed in business. One could easily speculate that the delivery could be as long as two years for some of the items. We've already seen an example of this as one local manufacturer has gone out of business in the last two months. They manufactured some special components for the mines. Even with the drawings, it has taken us two months thus far to find another manufacturer that appears qualified to machine them. Add to that the fabrication time, and it will be four months to procure these items. Please keep in mind that this example includes being able to locate and obtain the drawings for these components immediately and having people with the expertise locally. If the plant shut down, this will not be true, which would just add to the lead time.

Another concern related to these products is that many are made from various grades of steel products such as 304, 316L, stainless steel, high-chrome alloys. If we are in a crisis situation and have a decreased ability to manufacture steel that is used to produce equipment required to restart an idled iron mine, the lead time increases further. It becomes a Catch-22. Without the steel, the equipment used to produce the raw material for producing steel will not be available.

The second area involves people. In my introduction, I indicated that I am a second-generation business owner. Many people involved in the industry today either have worked there all their life or are second generation.

Also, as I mentioned earlier, this process is unique. In the United States, it is only found in Minnesota and the Upper Peninsula of Michigan. The people who run them and those that supply products and services to the plants have learned through experience. Like most complicated processes, they have learned through the people before them. If the plants close, that continuity will be lost. How long will it take to find people with the capability to start a plant? Who will train them? Though I have an engineering degree, I have learned what I know through my father and working at one of the plants and my 16 years serving the industry did not come from a textbook.

At Jasper, we have over 200 years of combined experience serving this industry. If the mines shut down, that experience will be lost. It cannot be replaced. This would also be true for the other 100 or so local suppliers and probably true for the over 3,000 suppliers and 14,000 people that support it nationwide, in practically every state in the country.

As suppliers, we are the link between the manufacturer and the mines. We are the people that properly apply the equipment we provide. We also supply specialized services to the mining industry. This includes engineering.

We have local engineering firms that have people with special skills that support the industry. If the mining industry is allowed to shut down, these

people and expertise will be lost. They will relocate or retire. I know in my own case, over time I will forget much of the specialized knowledge I have gained that is used to support the industry. So the people will be lost, and it will take a long time to either find or retrain them.

Please keep in mind we are talking about losing a whole group of people with industry expertise, not just one key person in an organization.

The third area I would like to discuss is the infrastructure in terms of the supply industry.

Just as the mines rely on the suppliers, the suppliers rely on their service providers. These providers are the banks, colleges, insurance providers, medical care providers, local government, office supply suppliers, car dealers, et cetera. If they lose their customers, how many of them will survive?

We have already seen a grocery store close in Hibbing, partly due to the downturn in the industry. These support businesses are essential for the suppliers to exist. How long would it take for them to restart?

If the education system is second-class because of a significant decline in enrollment, will people want to move back here with their families? This just makes it more difficult to get the people back to start a plant. This will add to the length of time required to restart the iron mines.

In conclusion, in a time of crisis, steel will be needed. We need a secure source of raw material used to make iron ore. If the plants are allowed to shut down, the products needed to restart them will have long lead times, qualified people will be hard to find, and it will take a considerable amount of time for the suppliers to restart. If these plants are allowed to shut down, the time it will take to restart them will be measured in months, if not years. I would think that is too long in a time of crisis.

I believe that the iron mining industry is essential to the security and independence of the United States.

Thank you for giving me the opportunity to testify.

CHAIRMAN HILL: At this time I would like to call Sandra Shaughnessy, owner of Northland Rigging.

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{BOn} TESTIMONY BY SANDRA SHAUGHNESSY{BOff}

MS. SHAUGHNESSY: I want to thank you for the opportunity to testify today. My presentation is short and a bit of more of a personal nature.

When I first learned that the Department of Commerce would be holding the first of their three forums in this area, I was immediately interested in trying to portray to you exactly how extensive the damage from illegally dumped foreign steel is, not just for national security, but for our region's economic survival.

Foreign steel dumping is forcing major steel-makers into bankruptcy. Imported semi-finished steel slabs are cutting directly into iron ore markets, and imported iron ore pellets are a serious threat. The American Iron & Steel Institute notes that the surge of imports has resulted in hundreds of millions in lost income, the loss of thousands and thousands of jobs, and at least 18 major bankruptcies. This is serious and simply cannot be ignored any longer.

The evidence of hardship is as plain as day in this area, from large multi-million-dollar corporations, small companies, mining employees, and supplier closings. The truth speaks loud and clear.

The Department of Commerce must issue an anti-dumping duty order. If the U.S. government is able to reach an agreement such as the July 1999 agreement with Brazil to restrict its hot-rolled steel imports, why can't agreements be reached with other countries?

The federal government needs to step in and ensure that our domestic steel-makers can operate their own blast furnaces, and not encourage shutdowns, slow-downs, or importing semi-finished steel slabs. North America will still

have a need for huge quantities of steel. The source of that steel should be within our own country, employing our own citizens.

When LTV Steel Mining Company in Hoyt Lakes closed this past year, 1,400 people lost their jobs. 1,400 may not seem like a large amount in large-city terms, but in an area like this, the effect is devastating. That is 1,400 families without their major source of income.

Now also think of the many suppliers and vendors to the LTV plant in Hoyt Lakes. Some of these vendors relied heavily on LTV for years for their income. Many of these vendors have closed their doors, some are going broke, and others are truly struggling just to hang on. It is a domino effect. How many more people have lost their jobs in this area due to the closings and slow-downs? Many.

The people that are attending this rally today are not just mining company employees. They are LTV steelworkers who no longer have jobs. They are Hibbing Taconite Company employees who are currently laid off due to shutdowns. They are employees of other mines in the area who are fearful of losing their livelihood. But they are also mining supplier and vendor employees who may have already lost their jobs or are on the verge of unemployment. They are business owners, teachers, healthcare workers, and skilled service employees. They are northern Minnesota, and they are fearful. Please hear them.

My husband and I own Northland Rigging, Incorporated, based in Coleraine, on the western end of the Iron Range. We are a contracting company and have been in business for 10 years. We have worked long and hard to become a reputable, honest, and skilled contractor. We have been a mining company service vendor for mining maintenance and new construction projects.

Some examples of our work included a \$2.2 million magnetic separator project at Hibbing Taconite this past year and over \$5 million in projects for LTV Mining, such as magnetic separators, duct systems, and stack repairs. For the past three years we also carried a year-long service contract for hoisting pellets at LTV. Northland Rigging has also contracted for projects at Northshore Mining and EVTAC, but our main client has been LTV Steel Mining.

In 1997 we obtained a bank participation loan from the IRRRB and financing from the local Northland Foundation and the Arrowhead Regional Development Center to build a new facility and obtain a Rhino Lining dealership. Rhino Linings is nationally known as the leader in sprayed-on polyurethane applications. While mainly used as a retail product for sprayed-in liners on pickup trucks, our main interest in the product was for applications in the mining industry. Rhino Linings polyurethane is used widely in the sulfate mines in Idaho and out west. We were able to spray many items at LTV, including filter separator barrels, magnetic separator screens, chutes, pipe, and miscellaneous pieces. Unfortunately, these items are no longer in use.

When LTV Steel Mining Company closed, we lost approximately 80 percent of our sales. We also lost open invoices when LTV declared bankruptcy and had open contracts that went unfulfilled. This loss of cash flow has brought our company to its knees.

While spring is usually a busy time for bidding work with new construction or maintenance, we've only received one bid package from the mining companies this year.

The mining industry needs help. This entire region is facing an economic emergency, and without the federal government's help, we may all go under. The number of companies and vendors that have been affected by the LTV closure and the slow-down of the mining industry is devastating. We need an anti-dumping duty order in place. We need help in securing funds for future mining technology, funds for economic development, and for the suppliers and vendors who are struggling to stay alive.

Our entire region has been affected directly by the foreign steel dumping, and we plead with you to do what is necessary to keep the people in this area, as well as the United States, secure in their livelihoods.

Thank you.

CHAIRMAN HILL: At this time I would like to call Jim Glowacki, president of JPG Communications.

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{BOn} TESTIMONY BY JIM GLOWACKI {BOff} {BOn} {BOff}

MR. GLOWACKI: My name is Jim Glowacki. I'm the owner of JPG Communications here in Virginia. Thank you for the opportunity to speak here tonight; and on behalf of the community, my sincere appreciation to everyone on the panel for being here.

At long last, we're having a hearing before it's too late to save this industry. Gentlemen, this is where steel begins.

I was a third-generation steel worker. I know firsthand the trauma of losing a job due to an economic downturn. I worked at the Duluth steel plant until it closed in the early 1970s. I later worked at the Minntac plant until the early 1980s, when employment in our mining industry was reduced by almost one-half. I was following the footsteps of my father and grandfather, who spent their entire working lives in this industry.

Nearly 20 years ago I struck out on my own and started my own communications and marketing firm here in Virginia. Today I have a staff of 16, serving clients here and throughout the country. The advent of the Internet, the World Wide Web, has enabled us to expand and serve clients just about anywhere, yet the Iron Range remains the core of our business, providing outstanding employees and a good base for my small firm to survive.

My remarks tonight, however, are not about my business, they are about taconite and the critical importance this abundant domestic resource plays in our regional and national economy. Indeed, eight of the top 25 employers in this area are directly or indirectly involved in producing taconite pellets, accounting for 40 percent of the gross regional product here in northeastern Minnesota.

These are the basic jobs that support everything: our education, healthcare, government, and retail trade.

This is an industry with more than 100 years of history, and iron ore mining today is remarkably similar to what it was 100 years ago. You clear the land, remove the topsoil, extract and concentrate the iron ore, and ship it to the steel-makers. What's changed today, however, is the technology, efficiency, and safety for workers.

Now, I brought for each of you a bag of taconite pellets, and I've left seven bags for you to bring back to Washington, and I brought many more for staff and others; and I think it's important to note that in my hand, I have bagged one pound of taconite pellets. These contain about 65 percent iron ore, and this little bag I'm holding can be produced for about a penny a pound, more like 1.2, 1.3 cents per pound.

Now, our plants can make these pellets today at 25 percent less cost than 20 years ago. This is proof that these companies have made dramatic advances in improving efficiencies and lowering costs.

I can't think of any other enterprise that can manufacture a product for a penny a pound, and every time I visit a mining property, I'm continually amazed at the enormity of the equipment, and I hope you folks get a chance to climb onboard a large production truck tomorrow, because it's a thrill of a lifetime.

The economies of scale and the money spent every day to produce these pellets which end up costing a penny a pound -- and I hope as you see a plant tomorrow, that you'll be impressed by everything you see, and the net outcome is bought for a penny a pound.

Well, where am I going with this analogy? Well, it's taken us 100 years to get to where we were today. There remains enough of our resource to last for 100 years, and there are opportunities for additional cost reductions and improvements in pellet quality, as well as value-added iron products.

We have in place the capability to produce iron units at a globally competitive price, if there is fair trade. Our Minnesota taconite mining industry can meet the needs of the United States for the foreseeable future, if there is fair trade.

While many of the countries dumping iron ore and steel on our shores don't respect the environment, we do. We have recognized that environmental protection is a necessary investment in good business.

We also know that foreign governments unfairly subsidize their producers, undermining the U.S. economy. We can compete on quality and price, if the playing field is level. Today, it is not.

Aside from the steel-making end of the business, consider what is at risk here in northeastern Minnesota if the taconite industry is lost. Before even one pound of pellets can be made again, we need to replace more than 1 million acres of land holding the minerals, mines, plants, tailing basins and buffer zones; the electric generation plants to power the mines and mills; locomotive railcars, railroads to transport the product to port; the ports of Duluth-Superior, Two Harbors, Silver Bay, and Taconite Harbor; the huge fleet of the Great Lakes ore carriers; hundreds of supporting vendors and suppliers; and most of all, thousands of enthusiastic, highly-trained, skilled workers who keep this billion-dollar-a-year industry humming around the clock, 365 days a year.

This is not an industry that needs to be rebuilt. It's already here. All the infrastructure is in place. Yet we find ourselves at a crossroads not of our own doing, and I urge the Department of Commerce to send a clear and compelling message to President Bush that runaway fair trade must be contained.

While I'm not an isolationist and recognize the virtues of an increasingly global economy, federal intervention is critical to preserving this basic U.S. industry so vital to our national security, now and in the future.

My hope is that we can look back on this day here in Virginia and say with some satisfaction that we made a difference, that we made a clear, convincing, and compelling case that we have an industry worth saving, that we renewed our commitment to the next 100 years of mining in northeastern Minnesota.

Gentlemen, after all, this is where steel begins.

Thank you.

CHAIRMAN HILL: Thank you for your testimony, Mr. Glowacki.

You said 20 years ago you left the mining industry and started your own small business. Can you relate to us how difficult that was and what opportunities and what help you might want to get from the federal government? And I understand. I was assistant administrator of the U.S. Small Business Administration. It's not for everybody to go out and start their own small business, but this may be a small part of a big puzzle, and are there things the federal government can do to help maybe a small cadre of miners who might want to go out like you did and start their own small businesses?

MR. GLOWACKI: Well, 20 years ago it was certainly difficult to start a business enterprise here, since the concept of my business was somewhat alien to this marketplace and it's not a big metropolitan market where marketing communications firms can thrive. So I had a lot of pioneering work to do myself in explaining just what it is I could do. And so, yes, it was very difficult, and yet I think the circumstances today are really different, because with the advance of the Internet and faster communications systems in place, you know, you really can operate more successfully in a rural environment than you can in a metro environment. And yes, the assistance, I think, that would be helpful to would-be entrepreneurs would be, you know, the government could help by further improving our electronic infrastructure up here, and, of course, any loan

programs through the SBA or other related programs that would help people start up.

CHAIRMAN HILL: Okay. Thank you very much, sir.

I would like to now call Shelley Robinson, the executive director of the Range Center.

Welcome.

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{BOn} TESTIMONY BY SHELLEY ROBINSON{BOff}

MS. ROBINSON: Good evening. It's been a long day for you.

My name is Shelley Robinson, and I'm the executive director of the Range Center, a large nonprofit organization providing vocational training and residential services in northeastern Minnesota to individuals with disabilities. My testimony will specifically focus on Section 705.4 of the National Security Industrial Base Regulations as it relates to the availability of human services. I will speak to the issue of human services from the perspective of our area schools and nonprofit organizations. I want to put a name and face to this issue for you.

As you've heard today, the Iron Range of northeastern Minnesota has a proud history of an industrious workforce. People living on the Iron Range place a high value on hard work and a good education. People here also believe in taking care of their own; therefore, we see dedicated employees having lifelong careers in the mines. We have excellent schools, and we have effective nonprofit organizations serving the needs of others.

The decline of our industry is eroding our human resources at the grassroots level, a level that will not be renewable. For example, Mike Lang, superintendent at Eveleth-Gilbert, points out when 372 LTV employees lost their jobs in this district, 96 students were affected. Twenty miles up the road, 275 students were impacted when 525 jobs were lost. All totaled, on the east end of the Range, over 548 students had a parent lose their job at LTV.

Although devastating to local school district budgets, how does declining enrollment affect the ability of human resources as it relates to this investigation? We are losing the very programs that will keep our mining industry alive. When Hibbing lost 173 students last year, one of the 10 teachers cut was an industrial technology teacher. This will mean the elimination of several technical and vocational electives.

Also, our high school students are not choosing to pursue mining occupations. For example, enrollment at the East Range Secondary Technical Center in 1980 was 638 students. Twenty years later, in the year 2000, enrollment is only 205 students.

Tony Kuznik, president of the Hibbing Community and Technical College, says the college is on a downward spiral. Declining enrollment decreases funding, which results in fewer course offerings. Fewer course offerings means further declining enrollment.

Two hard-hit programs are the heavy equipment operations and the mining health and safety programs. Mining companies are having a difficult time fulfilling their commitment of heavy equipment to the college. The demand for mining health and safety programs purchased by mining companies has declined.

Nonprofit organizations are experiencing what an economic downturn can do to the availability of human resources. My organization, Range Center, employs over 180 employees across the Iron Range. The bargaining unit in Hibbing, Chisholm, and Eveleth is represented by the United Steelworkers of America.

In the last two months, I have signed 16 resignations. Many of those employees are moving with a spouse in search of work because they have lost their job with a mine or mine-related industry.

We are seeing the care of people with severe disabilities being interrupted. We can't tolerate this as a nation.

Nonprofits rely on volunteer efforts and generous contributions to offer quality services. United Way executive director Shelley Renner says last year she saw United Way donations from LTV workers and related businesses decrease from \$85,000 to \$20,000. Along with decreased contributions, the United Way is getting more and more requests for help.

Harlan Tardy from the Arrowhead Economic Opportunity Agency also points out that as miners are laid off, these skilled laborers will be able to out-compete unskilled workers for the available jobs, therefore creating chronic unemployment for the least skilled worker.

Not all nonprofits believe demand for their services will immediately increase. Linda Squires of the Arrowhead Center is anticipating a reduction in requests for alcoholism treatment. She said once health insurance benefits run out, few people are able to afford a \$4,000 out-of-pocket expense for treatment. Range Women's Advocates sums it up well by stating the decline in our industry and the effects it has on our entire area is a family issue, it's a public health issue, a workplace issue, and a community issue. I would add, for the purpose of this hearing, it is a Section 705.4 human resource issue.

I will close my comments with a very applicable English proverb: "We never know the value or worth of water 'til the well is dry."

CHAIRMAN HILL: Thank you very, very much for those comments.

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{BOn} CLOSING REMARKS{BOff}

CHAIRMAN HILL: Well, we've come to the end of the hearing. I have a few announcements to make.

We will have a copy of the transcript and a copy of all the written statements posted on our Web site. That again is www.bxa.doc.gov. In a very short -- did I say that backwards? It's been a long day, but it's been a good day. We will have them posted on our Web site in a very short notice.

I will leave the record open until August 17, and we encourage anyone who would like to submit additional comments to what you've heard today to send those to us, and they will be included in the official record, and from that we will draw information for our work.

I would also like to finish up by thanking again Senator Wellstone, Senator Dayton, and most of all our good friend Congressman Oberstar and their staff for making this a very successful session. I also I would also like to thank Superintendent Schwab for his hospitality to let us use this very, very fine facility. I would like to thank my friends at United Steelworkers. If you guys want to just come out of the shadows for a minute, you guys have made this thing work like clockwork. Thank you very much. Come take a bow. They're kind of shy, but there they are. Thank you very, very much. Also, I would like to thank our court reporter for her steadfast support today, as well as our local police department and sheriff's department.

Congressman Oberstar, would you like to say a final word?

CONGRESSMAN OBERSTAR: Mr. Chairman, if I may thank you and all the members of the panel for sitting here attentively, thoughtfully, carefully listening to every heartfelt word that was expressed by a wide range of witnesses. Today my friends and constituents in the Iron Range have seen their government at work at its finest. Thank you very much.

CHAIRMAN HILL: Thank you. This meeting is adjourned.

(Concluded at approximately 6:35 p.m., the same day.)

{BOn} CERTIFICATE OF COURT REPORTER{BOff}

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

Jean M. Whalen, RDR, CRR

Date