

Testimony of John Cross (Steelscape LLC)

Good morning (afternoon). My name is John Cross, President of Steelscape LLC, an American company that manufactures coated and painted steel for US companies. Steelscape has facilities in Washington State and California, together employing almost 400 men and women in productive, high-paying jobs. As I will explain below, Steelscape is structured to import the raw material that we use to produce our coated and painted steel, from Australia and Asia. This imported substrate not only does not threaten the country's national security, but actually promotes it by permitting Steelscape, a US steelmaker, to participate productively in the US economy. If the president were to institute broad-based restrictions on steel imports, it would jeopardize the viability of Steelscape itself, and in the process threaten the livelihood of our American employees.

Steelscape has two facilities, one located on the Columbia River in Kalama, Washington, and one located in Rancho Cucamonga, California. Both facilities produce coated steel products, but not from liquid steel. Our Kalama facility transforms hot rolled coils into cold rolled and galvanized coils, while our Rancho facility purchases cold-rolled steel to produce galvalume coils. Both facilities also paint most of the coated steel they produce. A large portion of Steelscape's output ships to ASC Profiles LLC, an affiliated company, which uses our steel to

manufacture steel profiles and building components for commercial and residential use in the western United States.

Both Steelscape facilities need imported steel substrate to make their coated products. The Kalama site is located literally along the side of the Columbia River, a deep-water port facility which allows ocean-going vessels to discharge steel directly from the dock to Steelscape's storage yard. Shipping costs from Australia or Asia range from \$60 to \$100 per ton LESS than rail rates from most US mills.

For US mills to get their steel to the West Coast, they have to ship steel by rail across the Rocky Mountains, which is an expensive proposition. I know, because one of Steelscape's parents, BlueScope Steel, also owns a US steel mill, North Star BlueScope Steel in Delta Ohio, producing hot-rolled steel. Steelscape can purchase only a few hundred tons of steel a month from North Star due to the added cost of freight.

Sourcing steel from west coast producers is also problematic for us. There are only two or three suppliers of hot-rolled steel in the West Coast, and they are focused on supplying their own downstream needs and customers. Let me tell you something else about the West Coast steel market – none of the major steel producers in the West Coast melt and pour their own steel. California Steel Industries, a joint-venture of JFE Steel of Japan and Vale of Brazil, hot-rolls and

cold-rolls semi-finished slab that it buys from elsewhere, mostly from import sources. UPI, the other major producer, cold-rolls its steel from hot-rolled steel that it purchases from its two owners, US Steel and POSCO of Korea.

Historically, half or more of the hot-rolled steel that UPI uses to produce downstream steel products it obtains from Korea. The dynamics of the West Coast market are such that virtually all steel producers in the market have to import a large portion of the raw material they use from abroad. Steelscape is no different.

Steelscape is subject to another structural restriction that prevents it from purchasing raw material from US mills: Any steel substrate that Kalama would buy from domestic suppliers would have to arrive by rail, which Kalama cannot accommodate due to space limitations. We are not in a position to absorb the significant capital investment that would be required for additional land and heavy equipment to support delivery by rail.

Domestically produced steel does not compete with imported steel for Steelscape's substrate business. Steelscape requires imported steel to survive as an American producer of coated steel products. The proof of that is this: last year, when the Commerce Department imposed almost 30% dumping duties on hot-rolled steel from Australia, Steelscape did not replace its Australian hot-rolled steel with a single ton of domestically-produced hot-rolled steel. Instead, we imported hot-rolled and cold-rolled substrate from other countries to meet its needs. By

doing so, Steelscape was able to remain a going concern, saving 243 jobs in Kalama and 131 in California.

And it is not only Steelscape jobs that would potentially be at risk. As I mentioned, much of Steelscape's production goes to ASC Profiles, which uses the coated steel to produce metal building components. If ASC could not buy reliable, high-quality steel from Steelscape – made from imported substrate – its operations could also be at risk.

The steel substrate that Steelscape must import from Australia and other countries does not threaten the security of at least this part of the United States' steel industry; it helps the industry survive and prosper.

I would like to point out, in addition, that a large portion of the steel substrate that Steelscape imports is from BlueScope Steel Ltd. in Australia. BlueScope Steel Limited is the only exporter of flat-rolled steel from Australia. The steel substrate that Steelscape imports from Australia – or from any other source – is not for any defense or national security use. It is simple, flat-rolled steel that we coat and paint and ship for use in commercial and residential buildings throughout North America. This kind of steel has no impact on the United States' national security requirements.

Steelscape, in short, needs to import steel in order to produce steel in the U.S. We ask the Department to consider the special situation of companies such as

ours, companies that depend on imported steel to survive as American steel producers. And we ask you to take the special relationship between Australia and the United States into account.