Testimony of Joseph A. Carrabba
Summary

State of the U.S. Steel Industry

- We are an extremely efficient sector with a talented workforce, state of the art technologies and the ability to furnish products critical to the broader U.S. manufacturing economy.
- We also face significant challenges arising from a persistently sluggish economic recovery, the surge of unfairly traded steel imports and an investment climate plagued by overly restrictive regulatory requirements and constant uncertainty in the area of U.S. tax and fiscal policy.

Economic Impact of the Steel Industry and Related Sectors

- Cliffs Natural Resources plays a unique and significant role in the domestic steel industry.
- Cliffs is the largest producer of iron ore in North America and a significant producer of metallurgical coal for steelmaking.
- As a supplier to the domestic steel industry, Cliffs is a prime example of how steel production in the United States provides economic benefits well beyond those generated by steel manufacturing alone.
- Each job in America's steel industry supports seven jobs in the U.S. economy.
- The aggregate national impact of steelmaking, however, does not come close to capturing the importance of our industry to specific communities and regions across the United States.
- Given the acute demand for more of these quality jobs, we appreciate the opportunity to share our perspectives on public policy matters that will help define the future of steelmaking in the United States.

Steel Industry Policy Priorities

- Energy and Environmental Regulatory Policy
  - We certainly see the potential for shale gas development to fuel a dynamic manufacturing renaissance.
  - Despite the tremendous promise of this new domestic energy source, persistent permitting delays and an arcane environmental regulatory environment threaten to further degrade the status of the U.S. as a location of choice for large capital and energy-intensive industries.
  - Federal agencies are usurping the role that states should play in working with industry to innovate science-based solutions to efficiently reduce environmental impacts.
  - We need to responsibly develop out American resources while ensuring that regulatory requirements are as predictable and workable as they are protective and stringent.
- Infrastructure Investment
  - The prosperity of the U.S. economy is linked to the adequacy of our national infrastructure.
  - Developing nations such as China are recognizing the importance of infrastructure with massive investments in their transportation networks. The United States can ill-afford to fall further behind in this space.
  - In 2013, Congress should begin developing options to ensure a long-term funding mechanism for the Highway Trust Fund, as well as pursue reauthorization of the *Water Resources Development Act*.
- Corporate Taxation
  - As you and your fellow lawmakers consider changes to the tax code, I urge you to critically evaluate the impact of proposed reforms on manufacturing.
  - In order for tax reform to produce real economic growth and job creation, the tax code should not simply be changed to favor less capital-intensive sectors of the economy.
  - In short, achieving a lower overall statutory tax rate should not come at the expense of higher effective tax rates for the businesses and industries that most support capital investment, job growth and value-added manufacturing.

Closing

- As industry leaders, we stand ready and willing to work with you on these and other policy priorities.
- Today's hearing is an important and encouraging step toward the realization of a public policy environment that can allow our industry, and the economy as a whole, to thrive.

Testimony of Joseph A. Carrabba
Chairman, President and CEO, Cliffs Natural Resources Inc.
"Our Nation of Builders: The Strength of Steel"
Energy and Commerce *Subcommittee on Commerce, Manufacturing and Trade*
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Chairman Terry, Ranking Member Schakowsky and distinguished members of the subcommittee,

Good morning and thank you for the opportunity to testify today. My name is Joe Carrabba and I am the Chairman, President and CEO of Cliffs Natural Resources.

I also have the honor of serving as the current Chairman of the American Iron and Steel Institute. On behalf of AISI and its members, I wish to express our sincere appreciation for your interest in the state of our domestic steel industry. In many respects, our industry is at a crossroads. We are an extremely efficient sector with a talented workforce, state of the art technologies and the ability to furnish products critical to the broader U.S. manufacturing economy. However, we also face significant challenges arising from a persistently sluggish economic recovery, the surge of unfairly traded steel imports and an investment climate plagued by overly restrictive regulatory requirements and constant uncertainty in the area of U.S. tax and fiscal policy. In a moment, I will speak further to some of these challenges and opportunities, but first I would like to briefly highlight the economic contributions of our industry.

The company that I lead, Cliffs Natural Resources, plays a unique and significant role in the domestic steel industry. Headquartered in Cleveland, Ohio, Cliffs is the largest producer of iron ore in North America and a significant producer of metallurgical coal for steelmaking.

For over 165 years, the company has responsibly extracted our American resources for processing into steel and ultimately the manufactured products and infrastructure that provide for our way of life. Cliffs' role in the domestic steel industry can be summed up in one of our company slogans: "Steel Starts Here". As a supplier to the domestic steel industry, Cliffs is a prime example of how steel production in the United States provides economic benefits well beyond those generated by steel manufacturing alone.

In a study commissioned by the American Iron and Steel Institute last year, Professor Timothy Considine of the University of Wyoming found that each job in America's steel industry supports seven jobs in the U.S. economy. The steel industry directly employs roughly 153,000 workers in the United States, and it directly or indirectly supports more than one million U.S. jobs. This significant multiplier effect comes as a result of the roles that companies like Cliffs fulfill in providing raw materials and critical services to support the manufacturing of steel. The aggregate national impact of steelmaking, however, does not come close to capturing the importance of our industry to specific communities and regions across the United States. A study released by the University of Minnesota Duluth Labovitz School of Business and Economics in November 2012 found that iron ore mining alone contributes more than $1.9 billion in wages, rents and profits to Minnesota's economy. Furthermore the mining industry represents 30 percent of the gross regional product of Northeast Minnesota. Many of you have communities in your districts that share such a reliance on the steel industry, its suppliers, and the family-sustaining jobs supported by these businesses.

Given the acute demand for more of these quality jobs, we are grateful for your focus on our industry, and we appreciate the opportunity to share our perspectives on public policy matters that will help define the future of steelmaking in the United States.

I would like to speak briefly to three particularly important policy areas: energy and regulatory policy, transportation infrastructure investment and corporate taxation.

- While the CEOs before you today represent different elements of a most diverse industry, we all share a reliance on cost-effective sources of energy. The industry has increased its energy efficiency by 27% since 1990 - we lead the world's major steel producing nations in terms of energy efficiency - but access to affordable and reliable sources of energy remains essential to our international competitiveness. Many believe that newly discovered shale gas developments are the most remarkable source of economic growth and prosperity that any of us are likely to encounter in our lifetimes. We certainly see the potential for this domestic resource to fuel a dynamic manufacturing renaissance. However, despite the tremendous promise of this new domestic energy source, persistent permitting delays and an arcane environmental regulatory environment threaten to further degrade the status of the U.S. as a location of choice for large capital and energy-intensive industries. Our permitting process is far too protracted and we increasingly find that federal agencies are usurping the role that states should play in working with industry to innovate science-based solutions to efficiently reduce environmental impacts. In order for our industry to thrive, we need to responsibly develop our American resources while ensuring that regulatory requirements are as predictable and workable as they are protective and stringent.

- In heavy industry, adequate transportation infrastructure is a key element of cost-effectively manufacturing a product and delivering it to market. Just as iron ore mines and steel mills rely on efficient rail, road and port infrastructure in our supply chains, so too is the prosperity of the U.S. economy linked to the adequacy of our national infrastructure. I urge you all to view federal support for roads, bridges, ports and rails, not as expenditures, but as investments in the competitiveness of our nation. These investments benefit communities, support workers, and drive demand for iron ore, steel and many other manufactured products. Developing nations such as China are recognizing the importance of infrastructure with massive investments in their transportation networks. The United States can ill-afford to fall further behind in this space. In 2013, Congress should begin developing options to ensure a long-term funding mechanism for the Highway Trust Fund, as well as pursue reauthorization of the *Water Resources Development Act* in order to rehabilitate or replace crumbling water infrastructure and enhance global competitiveness in manufacturing.

- As a capital-intensive industry facing intense competition in the U.S. and global markets, the American steel industry supports tax policies that will level the international playing field and make U.S. firms more competitive globally. We understand that Congress is seriously considering a major overhaul of the corporate income tax code. As you and your fellow lawmakers consider changes to the tax code, I urge you to critically evaluate the impact of proposed reforms on manufacturing. If not properly structured, a swap of important credits and deductions for a lower rate could well result in a net tax increase for companies such as Cliffs, our domestic steelmaking customers, and manufacturers of all kinds. In order for tax reform to produce real economic growth and job creation, the tax code should not simply be changed to favor less capital-intensive sectors of the economy. Rather, the key benchmark for determining an appropriate rate reduction must be an analysis of what is needed to promote the international competitiveness of U.S. industry. In short, achieving a lower overall statutory tax rate should not come at the expense of higher effective tax rates for the businesses and industries that most support capital investment, job growth and value-added manufacturing.

As industry leaders, we stand ready and willing to work with you on these and other policy priorities. Today's hearing is an important and encouraging step toward the realization of a public policy environment that can allow our industry, and the economy as a whole, to thrive.

Once again, I thank you for your time and for the invitation to appear before you today.