

NEWS



SPECIALTY STEEL INDUSTRY OF NORTH AMERICA

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NONEXISTENT GOVERNMENT STRATEGY LEAVES U.S. SPECIALTY METALS INDUSTRY AT RISK

(Pittsburgh, PA) (August 19, 2004) –The long-term survival of a once vibrant and healthy American specialty metals industry faces serious risks, but the U.S. political system refuses to view this as a significant problem, according to Dr. Jack W. Shilling, an executive with a major specialty metals manufacturer. This assessment and ways to fix the problem were presented by Shilling in testimony today at a field hearing organized by the Senate and House Steel Caucus.

In his remarks, Shilling, who serves as chairman of the specialty steel industry trade group, explained that—unlike conventional steel—specialty metals products are critical to a wide variety of industrial markets. “Moreover,” said Shilling, “our products are crucial to our national defense. They are essential elements of virtually every U.S. military platform.” Shilling referred the hearing participants to a recent white paper entitled *The Future of the Specialty Steel Industry of North America* that lists, among other examples, stainless wire for bomb springs and tank fuses; flat-rolled armor plate for planes, ships, and Humvees; and super alloys for aircraft engines. (Complete white paper attached.)

“Today, we face a very serious problem as a nation,” Shilling stated. “We are at a cross roads. The U.S. may gradually lose its specialty metals manufacturing and technology base.” Shilling identified offshore outsourcing to improve profitability and significant imbalances in incentives to invest in the U.S. versus overseas as primary reasons for the erosion. “As we speak, significant financial incentives are provided by foreign countries primarily to gain access to our technology,” Shilling continued. “At the same time, disincentives to invest in the U.S. continue to mount. Unfortunately, the U.S. government, unlike many of our trading partners, has no defined strategy in place to help guide this process.”

Shilling urged the Bush Administration and Congress to move quickly to develop and articulate a strategy in support of the U.S. specialty metals industry to include: balancing U.S. and overseas investment incentives both in manufacturing and R&D; eliminating barriers to earning a profit through regulatory, tax and tort reform and addressing rising health care costs and post-

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retirement benefits that burden U.S. manufacturers; preserving the integrity and effectiveness of current U.S. trade laws; restricting foreign government subsidies and eliminating uneconomic steel-making capacity; enforcing statutes that require the Department of Defense purchase specialty metals from U.S. manufacturers; and challenging Chinese government manipulation of its currency, which provides a built-in competitive advantage.

Shilling concluded by reiterating that the nation relies on the specialty metals industry to support America's national defense. "Today, there are fewer companies producing specialty steels in North America than at any time in the last 50 years. Overall, our industry is still marginally healthy, but the handwriting is on the wall. Now is the time to act."

Dr. Jack W. Shilling is Executive Vice President, Corporate Development and Chief Technology Officer, Allegheny Technologies Incorporated, headquartered in Pittsburgh, PA. ATI is one of the largest and most diversified specialty materials producers in the world.

He serves as chairman of the Specialty Steel Industry of North America (SSINA), a Washington, DC-based trade association representing virtually all continental specialty steel producers. Specialty steels are high technology, high value stainless and other specialty alloy products.

David A. Hartquist, an international trade attorney with the Washington, DC law firm Collier Shannon Scott, PLLC, serves as lead counsel to SSINA.

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