THE STEEL INDUSTRY LEGACY RELIEF ACT OF 2002

HEARING

BEFORE THE

SUBCOMMITTEE ON
COMMERCE, TRADE, AND CONSUMER PROTECTION

OF THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

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CONTENTS

THE STEEL INDUSTRY LEGACY RELIEF ACT OF 2002

TUESDAY, SEPTEMBER 10, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2322, Rayburn House Office Building, Hon. Cliff Stearns (chairman) presiding.

Members present: Representatives Stearns, Deal, Shimkus, Bryant, Walden, Terry, Capps, Doyle, Harman, Gordon, and Dingell (ex officio)

Also present: Representatives Buyer, Brown, Strickland, Holden, Kucinich, Oberstar, Phelps, Quinn, and Visclosky.

Staff present: Nandan Kenkeremath, majority counsel; Yong Choe, legislative clerk; and Amy Hall, minority professional staff member.

Mr. STEARNS. Good morning, and welcome to the Commerce, Trade, and Consumer Protection Subcommittee hearing on H.R. 4646, the Steel Industry Legacy Relief Act of 2002.

I wish to thank our witnesses for their appearance this morning, and I look forward to their testimony.

This morning the subcommittee is examining this bill that is introduced and championed by the gentleman from Michigan, Mr. Dingell. The bill mandates the establishment of a Federal trust fund with a purpose of providing health and prescription drug benefits coverage to steel industry retirees whose former employers have permanently closed or been acquired by another company.

This Federal trust fund will be funded by a surcharge on steel shipped by acquired companies, assets of the acquired companies, and tariffs imposed on imported steel under Section 201 of the Trade Act of 1974. If those three funding sources fall short of covering the actual expenses of the fund, the United States Treasury is to cover the shortfall.

Once enrolled in the program, retirees and their beneficiaries will receive medical and prescription drug coverage similar to what is being offered under Medicare and to Federal employees, respectively. In removing the financial liability that attaches to retired health benefits from the balance sheet of certain companies, H.R. 4646 is intended to permit the merging of such steel companies in the creation of a handful of mega steel companies.

The bill is premised on the assumption that a highly consolidated steel industry is necessary, if the steel industry is to survive in the United States. Perhaps another way to say this is the steel industry is a national security issue for this country, and should be protected and preserved.

There is no question that American steelworkers have borne the brunt of a fiercely and, at times, not so competitive international marketplace for steel. As steel production was deemed to be a critical input for economic development in the last 30 years, many nations embarked on cultivating their own steel industry at any cost. That effort, in turn, has led to a persistent overcapacity in the steel market.

For example, it is estimated that in 1998 production capacity exceeded demand by 35 percent. As the U.S. market is the largest market in the world and one of the most open to international trade, much of the excess steel capacity found its way here, and in many cases at prices well below cost.

A combination of reasons, including the persistent overcapacity, inefficiency in U.S. steel production, and changes in production techniques and demand, has progressively dwindled the ranks of American steel workers from 520,000 in 1974 to approximately 145,000 today.

The expansion and contraction of an industry with time, of course, is nothing new in the annals of economic history of this country. What is different about the American steel industry is that persistent overcapacity in the international steel markets has taken a disproportionate toll on the industry.

Under the pressure of imports and with substantial productivity gains made by the American steelworkers, in 1980 10 hours was required per ton of steel. Today it is 4 manhours. The U.S. steel industry contracted at a very fast pace in the eighties and in the nineties. That dramatic contraction has left many large integrated steel companies with substantial retiree health benefit liabilities that they can't service.

On average, per every five retirees from an integrated steel company, there is only one current employee making contributions to the company's health benefit fund. That ratio is even higher for companies like Bethlehem Steel, one per seven retirees. Those liabilities have an important factor in over 30 U.S. steel companies seeking bankruptcy protection since 1997.

Make no mistake about this, my colleagues. H.R. 4646 will have the Federal Government assume the financial liabilities associated with retiree health benefit plans of integrated steel companies that either sought bankruptcy protection or were bought out by another steel company since January 1, 2000.

In removing that liability, the retirees are assured of receiving their benefits, and integrated steel firms would be free to merge and create a handful of mega steel corporations.

In carefully examining this bill, we need to consider the best and most efficient way to assist the retirees without imposing a great and undetermined burden on the American taxpayer. As there are no caps on the Federal contribution to the trust fund, under this bill as drafted the extent of U.S. Treasury's liability is not altogether clear. At least one study puts the costs over the actual lifetime of workers and retirees at approximately $13 billion.

I think we must be especially rigorous when examining H.R. 4646 goal of helping the U.S. steel industry. The industry is not a monolith. While large integrated steel firms have sharply contracted, many so called mini-mills have flourished in the last 20 years.

Today the mini-mills have 47 percent of the U.S. steel market, up from 20 percent in 1980. They tend to be more efficient in production of most types of steel products than the integrated steel companies. That is, Nucor, the largest mini-mill, produces 1,383 short tons per employee in 1999 compared to 647 per employee for U.S. Steel, the largest integrated steel firm. H.R. 4646, as drafted, helps the integrated steel companies.

Finally, as I have noted, the key problem that the industry faces worldwide is persistent overcapacity. We need to examine this issue fully, and that is why we have this hearing.

[The prepared statement of Hon. Cliff Stearns follows:]

PREPARED STATEMENT OF HON. CLIFF STEARNS, CHAIRMAN, SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION

Good morning and welcome to the Commerce, Trade and Consumer Protection subcommittee hearing on H.R. 4646: The Steel Industry Legacy Relief Act of 2002. I wish to thank our witnesses for their appearance this morning and look forward to their testimony.

This morning the subcommittee is examining H.R. 4646, a bill introduced and championed by the distinguished ranking member of the full committee, Mr. Dingell of Michigan. The Steel Legacy Relief Act of 2002 mandates the establishment of a federal trust fund with the purpose of providing health and prescription drug benefit coverage to steel industry retirees whose former employers have permanently closed or been acquired by another company. This federal trust fund will be funded by a surcharge on steel shipped by acquired companies, assets of the acquired companies and tariffs imposed on imported steel under section 201 of the Trade Act of 1974. If those three funding sources fall short of covering the actual expenses of the fund, the Unites States treasury is to cover the shortfall. Once enrolled in the program, retirees and their beneficiaries will receive medical and prescription drug coverage similar to what is offered under Medicare and to federal employees respectively. In removing the financial liability that attaches to retiree health benefits from the balance sheet of certain steel companies, H.R. 4646 is intended to permit the merging of such steel companies and the creation of a handle full of mega-steel companies. The bill is premised on the assumption that a highly consolidated steel industry is necessary, if that industry is to survive in the United States.

There is no question that American steel worker has born the brunt of a fiercely and at times "not-so-competitive" international market place for steel. As steel production was deemed to be a critical input for economic development, in the last 30 years, many nations embarked on cultivating their own steel industries *at any cost.* That effort, in turn, has led to a persistent overcapacity in the steel markets. For example, it is estimated that in 1998, production capacity exceeded demand by 35%. As the U.S. market is the largest market in the world and one of the most open to international trade, much of that excess capacity found its way here and in many instances at prices well below cost. A combination of reasons, including both the persistent overcapacity, inefficiencies in US steel production and changes in production techniques and demand, has progressively dwindled the ranks of American steel workers from some 520,000 in 1974 to approx. 145,000 today.

The expansion and contraction of an industry with time is nothing new in the annals of economic history. What is different about the American steel industry is that persistent overcapacity in the international steel markets has taken a disproportionate tool on the industry. Under the pressure of imports and with substantial productivity gains made by the American steel workers—in 1980 10 man hours was required per ton of steel, today its 4 man hours—the US Steel industry contracted at a very fast pace in the 1980s and 1990s. That dramatic contraction has left many large integrated steel companies with substantial retiree health benefit liabilities that they can't service. On average, per every five retiree from an integrated steel company, there is only one current employee making contributions to the companies health benefits fund. That ratio is even higher for companies like Bethlehem Steel [1 per 7 retirees]. Those liabilities have been an important factor in over 30 US steel companies seeking bankruptcy protection since 1997. H.R. 4646 will have the federal government assume the financial liability associated with retiree health benefit plans of integrated steel companies that either sought bankruptcy protection or were bought out by another steel company since January 1, 2000. In removing that liability, the retiree are assured of receiving their benefits and integrated steel firms would be free to merge and create a hand full of mega-steel corporations.

I think it very important that we seriously consider H.R. 4646, as I find its objective of protecting the retirees' health benefits is not only commendable, but a must do. In carefully examining this bill, we need to consider the best and most efficient way to assist the retirees without imposing a great and undetermined burden on the American taxpayer. As there are no caps on the federal contribution to the trust fund, under this bill as drafted, the extent of U.S. treasury's liability is not clear. At least one study puts the cost over the actuarial lifetimes of workers and retirees at $13 billion.

I think we must be especially rigorous when examining H.R. 4646's goal of helping the U.S. steel industry. The industry is not a monolith. While, large integrated steel firms have sharply contracted, small so-called mini-mills have flourished in the last 20 years. Today, the mini-mills have 47% of the U.S steel market up from 20% in 1980. They tend to be more efficient in production of most types of steel products than the integrated steel companies—e.g., NUCOR, the largest min-mill, produced 1,383 short tons per employee in 1999 compared to 647 per employee for US Steel, the largest integrated steel firm. H.R. 4646, as drafted, only helps the integrated steel companies. Finally, as I have noted, the key problem that the industry faces, worldwide, is persistent overcapacity. It is not clear to me how H.R. 4646 helps in reducing persistent overcapacity. We need also to examine that issue fully.

I thank you and look forward to the testimony.

Mr. STEARNS. With that, the ranking member, the gentleman from Pennsylvania is recognized, Mr. Doyle.

Mr. DOYLE. Mr. Chairman, thank you very much, and I want to thank you for holding this hearing to discuss a bill that is vital to the health and quality of life of our steel workers, the Steel Industry Legacy Relief Act.

Mr. Chairman, I was raised around steel. My family has 73 years of steel in its blood. My father, my grandfather both worked for U.S. Steel. Both were members of the Steelworkers Union, and both dedicated their careers to the industry that helped build America.

Western Pennsylvania, the district that I am proud to represent, includes generations of families that share the same steel making heritage that I do. This heritage has earned Pittsburgh and western Pennsylvania notoriety as the steel making capital of the world. Needless to say, the United States steel industry and, more importantly, those who work in it, are near and dear to my heart.

Unfair trade and illegal steel dumping in our country is responsible for displacing over 50,000 American steelworkers in the last 3 years alone, and forced 34 companies into bankruptcy. I want to say that again. Unfair trade and illegal steel dumping has put 50,000 people out of work in the last 3 years in this country and forced 34 companies into bankruptcy.

Now this is of particular concern for me, not only because of the displaced workers and their families, which is paramount, and not only what it does to our economy, but also the national security implications represented by the loss of our domestic steel industry.

Now my good friend and chairman—co-chairman of the steel caucus, Mr. Pete Visclosky from Indiana, who is with us today—and as a matter of fact, all of these gentlemen that you see sitting in front of us today are to be commended, because these are some of the people that have been working in the front lines in the leadership addressing this issue and helping us keep it at the forefront of the agenda.

Mr. Visclosky and my other colleagues here on the committee, like many other members, understand that our steel industry is the foundation of our Nation's economy and security, and allowing it to be continually threatened is unfair and wrong, pure and simple.

Let me reiterate what I, members of the steel caucus, and industry leaders have said time and time again. Forty percent tariffs for 4 years on all steel products, and producers would level the playing field and would give the U.S. steel industry the full assistance it needs to get back on its feet.

Our steel industry is threatened not because we are not competitive, but because the playing field isn't fair. I am going to say that again, too, so it gets through some people's heads. We are not being threatened here because we are not competitive. We are as competitive as anybody in the world, but the playing field is not fair. People are not playing by the rules.

When foreign steel makers dump their excess capacity in this country in violation of our trade laws, they should be punished for it. And you know what? By the time we get around to punishing them, 50,000 people have lost their jobs, and 34 steel mills are shut down. That is what our trade policies are doing right now.

In March of last year President Bush gave us some good news. Ne announced recommendations based on the ITC and put a 30 percent tariff on foreign steel makers who violate trade laws, and we applaud him for that. And these tariffs are going to help us make the way back for a struggling steel industry, and we are going to continue to keep the pressure on to stop the exemptions that are currently going on for some of these tariffs. But I strongly believe that, if we are going to save the domestic steel industry, then we have to empower it to be able to be able to consolidate and compete on a worldwide basis.

We have steelworkers sitting out there that were promised a pension and health care benefits when they retired, but sadly, more and more of our domestic steel companies are declaring bankruptcy as a result of this illegal trade, and they are not able to pay these benefits, and it's a double-edged sword, because not only are the retirees not getting their health care benefits, but the; healthy steel companies that want to consolidate and get stronger and keep the domestic steel industries don't want to buy the bankrupt companies because of the legacy costs.

So we've got a Catch 22 here. We can't get our domestic steel industry back on its feet, because we have these legacy costs sitting out there, and we have all these retirees that were promised health care benefits and they are not getting them.

Now our bill, H.R. 4646, would help secure health insurance for several hundred thousand retirees who have already lost their benefits. The coverage established under H.R. 4646 would be similar to a Medicare level of coverage and also contain a prescription drug benefit, similar to those available to Federal employees.

Additionally, H.R. 4646 seeks the strengthen the American steel industry by removing the weight of legacy costs as a barrier to company mergers and consolidation, and it does so in a manner that encourages U.S. firms to create the type of larger companies that can compete with Europe and Asia.

My colleagues, the very fact that we are discussing this issue of basic health care coverage for retirees speaks volumes to the fact that Congress must act to address the health needs of our aging population. I don't care if you are a retired steelworker, a teacher, a homemaker, paying for health insurance is critical to maintaining a quality of life.

One way or the other, the Federal Government is going to end up paying this bill, and we might as well do it in such a way that it allows our domestic steel industry to survive.

Mr. Chairman, I am going to close with just one thought. I just read an article last week from some think tank. I can't think of their name or I would say it and expose them, but their basic premise was, you know, it would be better just to let these steel jobs go down the drain, because it is cheaper just to give them some extra unemployment compensation and retrain them, and let them move somewhere else.

You know, we are going to wake up one of these days in this country and find out that we don't make a damn thing in this country anymore, and there's not going to be anybody else to retrain, because what are we going to retrain them for? You know, we are all getting so far here in America that we are not going to be able to eat at McDonald's anymore. So we won't have those burger flipper jobs anymore to retrain these workers for, and if this country doesn't wake up to its trade policies, and if this country doesn't start producing a product, I don't know what is going to happen to our children and grandchildren.

It's time for us to do something, not only for these retirees but to save a basic industry that we can't let go down the drain for national security purposes and the good of our children.

With that, I will yield back my time.

Mr. STEARNS. I thank the gentleman. The gentleman from Georgia, Mr. Deal.

Mr. DEAL. Thank you, Mr. Chairman, and I want to thank my colleagues who are here today to express their interest in this bill. We, obviously, will hear some interesting testimony, and I look forward to that.

The statistics as to the number of lost jobs and the financial impact on regions of our country are certainly impressive. As someone who comes from the textile belt, however, of our country, I would have to tell you that the number of lost jobs that you talk about pale in significance to the number of lost jobs in the textile industry that has devastated the old textile belt of the south.

We have done nothing to help those people, absolutely nothing. Unfortunately, they did not have many of the benefits that steelworkers had. Many of them did not even have any kind of retirement health care plans in place. Many of them were women who predominantly made up the workforce in the textile industry in the far part of my Congressional district, which is the mountain areas of north Georgia. They are in remote parts of a State where transportation and access sometimes is difficult, and it is very difficult to attract new industries to come in and replace those jobs.

So there are many other ramifications of the issue that we are talking about here today that exceed far beyond the scope of simply the steel industry itself, and it appears that we do live in a very delicate and sometimes complicated world by way of trade rules and agreements.

I might just add, even though you applaud the efforts of the President, and I voted for it, with regard to the imposition of tariffs as they were imposed on foreign steel imports, I want to tell you that my Congressional district, which is the largest exporter of poultry products, and Russia being the largest importer of poultry products from the United States put an embargo, and are still persisting in artificial reasons why they will not buy American poultry.

So for every advantage, there is sometimes a disadvantage, and it depends on where you live. It depends on what your products are and what your constituency depends on to make their livelihood.

So I look with interest at the proposition that is before us. I, too, have concerns about are we setting a precedent in which we must now assume the responsibility for everyone who is adversely affected by any trade situation that ever occurs in this country. If we are, then we have opened what may very well be a very large box, because it is far beyond the scope of what this bill contemplates here today.

Thank you for holding the hearing, Mr. Chairman. I look forward to the testimony.

Mr. STEARNS. I thank the gentleman. The author of the bill, the gentleman from Michigan, Mr. Dingell.

Mr. DINGELL. Mr. Chairman, I will ask unanimous consent to revise and extend my remarks in lieu of an opening statement.

Mr. STEARNS. Unanimous consent is so ordered.

Mr. DINGELL. I strongly support H.R. 4646. I commend you for holding this hearing today, Mr. Chairman, and I express to you my thanks. This is a piece of legislation which is urgently needed by this country, and it is a piece of legislation which may very well be an example of what it is we should be doing, for example, for the textile industry and other industries which are being hurt by unfair foreign competition which is decimating our industries and hurting our workers and our economy.

I again commend you for your fine opening statement, Mr. Chairman, and with that I ask unanimous consent to revise and extend my remarks in the record.

Mr. STEARNS. Unanimous consent so ordered, and I thank the gentleman.

[The prepared statement of Hon. John D. Dingell follows:]

PREPARED STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, last March President Bush imposed a 30 percent tariff on foreign steel imports because foreign steel companies had dumped steel into this country at unreasonably low prices and had injured our domestic industry. This was not the 40 percent recommended by the steel industry and workers, but it was a step in the right direction. His decision, however, did not address two key challenges facing the American steel industry: (1) excess foreign capacity and, more critically, (2) steel legacy costs.

My colleagues on the Steel Caucus and I, after working with the steel industry and workers, drafted bipartisan legislation that will solve the steel legacy problem by providing health care benefits for steelworkers and their families, save American steelworker jobs, and guarantee that our national security is not comprised by the elimination of the domestic steel industry. The Steel Industry Legacy Relief Act of 2002, H.R. 4646, has been cosponsored by 172 members. I thank my colleagues in the Steel Caucus, some of whom have joined us today, for their diligent work on behalf of H.R. 4646. I also thank the steel companies and their workers for their invaluable help.

Under H.R. 4646, the Federal Government would create and support a program of health insurance for the retirees of steel, iron ore, and coke companies. Once enrolled in the program, retirees and their spouses or dependents would receive major medical and prescription drug coverage. In the absence of a universal national health care system, this legislation is critical. It would provide a guarantee of health care to a group likely to find private insurance unaffordable or unavailable elsewhere.

First, the bill would secure health insurance for retirees who have lost, or will soon lose, all retiree benefits. *Second,* the bill seeks to strengthen the American steel industry by removing the weight of "legacy costs" as a barrier to merging of American steel companies. *Third,* this legislation seeks a preference for American steel companies provided by a "right of first refusal" on the purchase of American steel companies by other existing steel companies.

I would like to take a moment to mention that it is not solely the steel industry struggling with legacy costs, though the steel industry has been particularly hard hit for reasons we will hear about today. I have testimony from General Motors that I would like to submit for the record, which makes some very important points in particular about things we could do to help all companies with legacy costs such as expand health insurance coverage, improve upon existing retiree coverage by adding a Medicare drug benefit, and address cost drivers in health insurance like the escalating costs of prescription drugs.

Mr. Chairman, the American steel industry is struggling. We cannot afford to have this sector of our economy fail. At times of war, we must remember that the steel industry has been and is the backbone of the American economy. Steel provides us with the material we need to make the planes, tanks, and ships necessary to defend America and enforce peace. I thank the Chairman for holding this hearing, and look forward to the passage of this important legislation.

Prepared Statement of L.L. Williams, Executive Director, Health Care Initiatives, General Motors Corporation

Mr. Chairman, Ranking Member Towns, and distinguished Subcommittee Members, I am L.L. "Woody" Williams, Executive Director of Health Care Initiatives at General Motors (GM). It is an honor to submit this statement as you consider Ranking Member Dingell's legislation to address the health care "legacy costs" of steel manufacturers. We applaud Mr. Dingell for bringing this issue before the Subcommittee and urge the Subcommittee to consider developing policies that respond more broadly to other industries that face similar financing and administrative challenges for the provision of post retirement benefits.

Recognizing that the witnesses you have invited to testify before you will focus predominantly on the steel industry crisis, our comments are designed to address the broader challenges that many other industries face, with a particular focus on the GM experience. Like many other companies, we are concerned about succeeding in an ever-increasingly competitive world marketplace without some significant relief from our current liabilities. Further, our testimony is intended to highlight our belief that the preservation of current retiree health benefits is directly linked to our ability to work with you and others to pass Federal policies that expand coverage and constrain cost growth.

Retiree Health Care and Legacy Costs. In the 1960s, 1970s and some of the 1980s, there was a relatively constant increase in the number of companies offering retiree health plans. By the early 1980s, well over 80 percent of large and medium sized companies were offering employees some type of retiree health benefits. This benefit emerged as a result of many factors, including: (1) evolving labor-management contract negotiations; (2) the relative affordability of providing these benefits when there were initially small numbers of retirees; (3) the fact that such plans filled the void of coverage for benefits like prescription drug insurance that were not (and still are not) covered by Medicare; and (4) the fact that provision of such generous benefits made it possible for employers to appropriately offer early retirement options without fear of being targeted by age discrimination suits.[1]

Today, a very different picture has emerged. According to a just-released Kaiser Family Foundation study, the percentage of large employers offering coverage has been cut almost in half, from 66 percent in 1988 to 34 percent in 2002[2]. In recent years, the trend has been for employers to not offer such coverage to new hires or those who have not yet retired. The reasons for this trend are relatively simple: the increasing cost and utilization of care, the costs associated with those retirees who are already eligible, the fear of future demographic change and its accompanying costs and, of course, the negative impact these costs have on the ability of these employers to compete in a world market.

Notwithstanding this trend towards reducing retiree health coverage, many employers have maintained this coverage along with the accompanying tens of billions of dollars in liabilities. In fact, according to Watson Wyatt Worldwide, the top ten companies with retiree health legacy costs have outstanding liabilities associated with these costs in excess of $150 billion. Because of our older and larger workforce, GM's retiree health legacy costs actually account for over one-third of this amount ($52.5 billion).

It is important to stress that retiree health benefits are extremely important to those fortunate enough to receive them. They generally provide very comprehensive coverage, and serve over a quarter of the nation's seniors, far more than Medicaid (10 percent), Medigap (7 percent), or Medicare Plus Choice managed care (approximately 15 percent).[3] However, without some assistance to continue to do so, there is little doubt that the trend of benefit elimination or reduced coverage will continue or even accelerate.

General Motors and Retiree Health. At GM, we are proud of our employees and their productivity. We believe they have earned and deserve appropriate and fair compensation in return for their service. Not surprisingly, then, our workforce tends to stay with us for extended periods of time. The current average length of service for our active hourly employees is 22.6 years, which also means that virtually all of our workers qualify for and receive retiree health coverage.

GM's retiree health bill, however, is simply unsustainable. Like many other companies, we have seen our retiree health legacy costs rise at alarming rates, since we originally started subsidizing this coverage in 1961. Just over a decade ago, our post-retirement liability (the projected cost of our current and future retiree health populations) was $33 billion. Our liability has now increased by over 60 percent, to $52.5 billion, as the number of eligible retirees has increased from 340,000 to 425,000 from 1991 to 2001.

Similar to a number of other long-lasting business enterprises, GM is a mature company with a mature workforce. The fact that we have one of the lowest turnover rates in the large business sector is something of which we are proud. However, it has also contributed to the fact that we now have far more retirees (about 425,000) than active employees (approximately 181,000). Such a ratio of retirees to workers is extremely difficult to sustain, and has and will continue to require company, and Federal policy intervention.

We are now spending over $3 billion a year in health care costs for our hourly workforce. These costs represent only a portion of GM's overall health care expenditures, but still are equivalent to about $800 per vehicle. At a time when we are competing with car companies all over the world that have little or no retiree health liabilities, this represents an extraordinary and sometimes excessively burdensome challenge.

Clearly, one of the largest drivers of these costs in recent years has been our coverage of prescription drugs (and the fact that Medicare provides no defined outpatient prescription drug benefit). Despite our use of state-of-the-art management techniques that promote the most appropriate and cost-effective use of prescription drugs, our pharmaceutical bill continues to grow at a rate of 15 to 20 percent a year—more than quadrupling the general inflation rate. Such drug cost increases are driven by a host of factors, including higher utilization, direct to consumer advertising, price increases of pharmaceutical products currently on the market, and the delay of generic competition.

[1] Testimony of Dr. Sylvester J. Schieber, Ph.D., Committee on Education and the Workforce, Subcommittee on Employer-Employee Relations, Hearing on "Assessing Retiree Health Legacy Costs: Is America Prepared for a Healthy Retirement?" May 16, 2002.

[2] Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits: 2002 Annual Survey, September 2002.

[3] Laschober, et al., *Health Affairs,* February 2002.

While I will not go into detail on all of these problems here, as we have testified earlier in the year on this subject, I do want to briefly highlight our frustrations with the lack of generic competition in the marketplace. In the last several years, as prescription drug patents have expired, purchasers such as GM have planned and budgeted for generic drug competition to reduce costs and increase enrollee choice. Such competition is critical to effective pharmaceutical benefit management programs, as generic competition reduces costs by 50 to 60 percent for most drugs. Time and again, however, purchasers such as us have underestimated liability related to drug costs, as many pharmaceutical companies effectively extend their market exclusivity through the automatic and repeated use of the 30-month market exclusivity stay, included in the Hatch-Waxman Act.

At GM the so-called "ever-greening" of the patents of five products designed to treat ulcers, cholesterol, diabetes, allergies and depression has increased GM's pharmaceutical costs for these five drugs alone by over $142 million. Even more ominous is our fear that this trend will continue and likely grow worse. For example, without new legislation, we now estimate that if just five pharmaceutical "blockbuster" product patents that are currently scheduled to expire are extended for 3years, GM will see increases in our prescription drug bill in excess of $204 million during the period, much of it for our retirees.

GM's Response to the Retiree Health Challenge. GM supports pursuing a two-pronged strategy in addressing this challenge. First, we are working internally and with outside sources to implement purchasing and quality assurance initiatives aimed at ensuring that our annual multi-billion dollar health investment is being spent wisely and achieving positive medical outcomes for our active and retired workforce. Second, we are partnering with coalitions to urge appropriate and bipartisan legislative intervention that would modernize Medicare benefits and constrain cost growth (particularly for prescription drugs), and improve the level of care all Americans receive. The following outlines our efforts in these areas:

(1) Prudent purchasing of health care with emphasis on medical outcomes. GM is proud of our collaborative working relationship with our union partners to improve quality, health status, and value. We both recognize that our multi-billion dollar investment must yield a much greater health outcome dividend, and that patients and their families, as well as health care providers, must become more sensitive to costs and value. To that end, we have implemented the following:

- **Community Initiatives.** Focuses on five high GM employee population areas in collaboration with multiple stakeholders to drive quality improvement, reduce duplicative services, emphasize best practices that generate positive clinical outcomes, reduce unnecessary capacity expansion, and provide public information on provider performance to help consumers select the best providers.
- **Wellness and prevention.** GM provides its employees and retirees the largest corporate wellness program in the world, known as "LifeSteps." Its purpose is to identify controllable health risks, improve overall health knowledge, and help beneficiaries modify their lifestyles and reduce health risks. Recently, 14 percent of certain employees with high health risks moved to a lower risk designation as a result of using Lifesteps. Lifesteps services include health risk appraisals, counseling and support, fitness facilities, education programs, health fairs, and more.
- **Quality-based value purchasing.** The GM core strategy for managing health plan benefit cost is through accountability and providing assistance for quality improvement and reduction of waste in the health care system. GM has a rigorous quality performance measurement system for its health plans, providing quality information to its employees and retirees to help them in their selection of health plans. Salaried employees and retirees have financial incentives to select the best performing health plans on the basis of quality as well as cost (higher quality plans cost the beneficiary less). This has resulted in considerable migration to better and more cost efficient plans and has been a driver for significant quality improvement. In addition, we help providers and health plans improve quality and manage costs through our supplier development activities, where we send teams to hospitals, health plans and other health care organizations to help them improve processes.
- **Prescription Drug Management.** GM has a dedicated team working on prescription drug quality and cost, led by a full time clinical pharmacist. Some initiatives include: the development of a pharmacy network, generic drug education and incentives (including multi-tiered co-payment benefit designs that encourage consumers to be more cost conscious), beneficiary and physician education, optimal dosing, and appropriate use of antibiotic safety initiatives.
- **National private/public collaborations on patient safety.** GM has played a leadership role in establishing, supporting, and staffing multiple health policy

coalitions designed to develop and implement quality and outcomes data and standards to modernize the delivery system. Organizational memberships and participation include the National Quality Forum, the Leapfrog Group, and the Foundation for Accountability (FACCT).

We are convinced that these initiatives have made major contributions toward improving the health care delivery system by promoting improved medical outcomes and assuring greater cost efficiencies. Preliminary data indicates that this investment is beginning to provide a return in terms of medical outcomes and cost savings. More specifically, GM's efforts relative to cervical cancer screenings have resulted in a 51% increase in screenings over a 3-year period. Efforts to promote use of a Beta-Blocker after an Acute Myocardial Infarction to reduce the chances of a subsequent heart attack have resulted in a 26% increase in Beta-Blocker use over the same time frame. However, notwithstanding these encouraging trends, health care cost growth for retiree health expenditures still remains at more than 3 times the general inflation rate, and simply cannot be maintained for any length of time.

(2) Encouraging bipartisan collaboration on long-overdue legislation to expand coverage and constrain costs. No matter how successful we are at using our purchasing leverage to improve health care and constrain costs, we at GM remain convinced that we will be unable to maintain a comprehensive and similarly affordable prescription drug benefit for our retirees without Federal intervention on a Medicare prescription drug benefit and on legislation to eliminate barriers to generic competition. Specifically, we urge the Congress to not adjourn this year without passing:

A meaningful, affordable, and optional Medicare drug benefit. A well-designed Medicare drug benefit would not only provide coverage to the millions of seniors without insurance, it would stabilize the coverage for those who do. If designed appropriately, a bipartisan Medicare benefit could significantly reduce some of the liabilities of retiree health plans, thus making it more likely they would be retained into the future. We believe that any Medicare benefit should meet the following principles:

- *First, a Medicare drug benefit should be universal in nature.* All Medicare beneficiaries should have the choice of an affordable drug benefit. The Medicare program has largely been a success, representing the only population in this nation with the benefit of universal coverage. Moreover, fully half of those seniors without coverage have incomes over 200 percent of the poverty level. Further, of those seniors who do have coverage today, many have extremely limited coverage or are at risk of losing their good coverage because of cost. Addressing this problem effectively, therefore, means designing a universal benefit.
- *Second, a Medicare prescription drug benefit should be meaningful and affordable to both beneficiaries and taxpayers.* To ensure a stable and accessible drug benefit that is voluntarily chosen by all beneficiaries, it will be necessary to design a substantive benefit that has an affordable premium. This will require a significant investment of federal dollars. We well recognize, however, that Congress has to achieve a bipartisan consensus around what level of federal dollars are available for such an investment, and clearly resources are not infinite. This underscores the importance of a well-managed, cost-effective prescription drug benefit.
- *Third, the design of the Medicare prescription drug benefit must be oriented toward achieving positive medical outcomes and value.* Just as important as designing an affordable, meaningful, and universal drug benefit is managing it well. To that end, the benefit should be designed to encourage appropriate use of high-quality, cost-effective generic medications, require cost-sharing that guards against excessive and inappropriate utilization, and integrate state-of-the-art pharmacy management techniques that ensure the use of high-quality, high-value pharmaceuticals.
- *Lastly, a prescription drug benefit should provide incentives for employers who are already financing prescription drug coverage for Medicare-eligible individuals to continue to do so.* We recognize that the Congress may not be able to afford the same level of benefits that many leading retiree health plans provide to their beneficiaries, but it should provide a much-needed floor of protection. As such, it should ensure that employers and health plans currently providing drug coverage can design benefits to wrap around Medicare. In addition, for those retiree health plans that choose to maintain their current plan, they should receive direct financial subsidies that are equivalent to the value of the underlying Medicare benefit. Such policies would appropriately avoid penalizing firms who have generously and voluntarily provided such coverage and slow the recent trend of companies withdrawing their benefits for these populations.

Hatch-Waxman reforms that eliminate barriers to generic competition. S. 812, the Greater Access to Affordable Pharmaceuticals Act, was designed to help curtail inappropriate uses of legal loopholes in the Hatch-Waxman Act that lead to extensions of market exclusivity of brand-name pharmaceutical products that effectively block generic competition. These abuses must be stopped this year, or GM and employers like us will have to incur untold tens of millions of dollars in excessive and unpredictable pharmaceutical costs, thus making the financial viability of our retiree health plan even more precarious. Important facts:

- *The Congressional Budget Office (CBO) projects that S. 812 will save tens of billions of dollars if enacted into law.* CBO estimates that S. 812 and its House companion bills (H.R.5272 and H.R.5311) will save at least $60 billion over the next 10 years for private and public purchasers.
- *This legislation easily gained bipartisan Senate approval.* Earlier this summer, the Senate passed S. 812—by an overwhelmingly bipartisan 78-21 vote.
- *Broad-based coalitions of consumers, businesses, labor, Governors, and health plans strongly support H.R. 5272 and H.R. 5311.* Business for Affordable Medicine, the Coalition for a Competitive Pharmaceutical Market (CCPM), and RxHealth Value all represent broad-based and non-partisan constituencies who are strongly supporting this legislation; the only major opponent to these bills is the pharmaceutical manufacturing industry.
- *These coalitions are committed to and supportive of pharmaceutical research and development and strong protections for patents.* They have concluded, however, that certain practices employed by some brand-name companies have effectively misdirected their attention away from true innovation and new product development and towards preservation of old innovations.

CONCLUSION

We well recognize the immediate retiree health legacy challenges the steel industry faces and commend the Subcommittee for working to address them. We know you are well aware, however, that there are other sectors of the business community that are confronting similar challenges that may be most effectively addressed by more comprehensive policy interventions.

We sincerely believe that our aggressive management of our retiree health costs, combined with thoughtful Federal policy intervention, could make a real difference in moderating cost growth and making it possible for companies like GM to maintain a comprehensive retiree health benefit. Failure to succeed in this area, however, will only result in a smaller number of employers providing such coverage to a smaller number of employees. Such an outcome could effectively cost-shift either to individuals or Federal and State governments. From our perspective, neither one of these two options is advisable or desirable.

If policymakers desire to see us continue to provide the level of support we have done in the past, we will need assistance. In the absence of such help, it would be disingenuous for us to suggest that we will be able to afford the post-retirement benefits we have to this point. Regardless, there is little doubt that we will need to implement more aggressive cost management techniques, which by themselves may not be sufficiently effective, but may be our only short-term tool should the Congress fail to act this year.

We are proud that the retiree health benefits that we have provided to date have made a difference in hundreds of thousands of lives. We look forward to working with you, Mr. Chairman, Ranking Member Dingell, and all the Members of the Subcommittee as you work to address the legacy costs associated with retiree health plans.

Thank you for your consideration of our views.

Mr. STEARNS. Mr. Shimkus, the gentleman from Indiana.

Mr. SHIMKUS. Thank you, Mr. Chairman. As an original co-sponsor of H.R. 4646, I am looking forward to examining the effects that this legislation may have on the industry and those retirees which may benefit.

I have two who consent to let their names be used. Mr. Clark was employed by Laclede Steel. When Laclede filed bankruptcy, he lost his health insurance coverage. He and his wife both suffer from preexisting conditions that prevent them from purchasing regular health insurance coverage. So they must apply for coverage under the CHIP program in Illinois. Due to the high cost, it is unaffordable.

He was employed by Laclede for 38 years. He states that, due to the age of several employees and retirees, it is difficult to find insurance, and what you do find has a very high premium.

Another constituent, Thomas Smith. Mr. Smith contacted us because he was a salaried retired employee of Laclede and was told he had no health insurance coverage. His wife had been hospitalized and was not aware there was no coverage. He had elected COBRA, but because the general American plan was self-funded, there was no money to pay for claims. Mr. Smith's only recourse for insurance coverage was the CHIP program, again.

We all know, especially those of us who represent the steel industry, what countless years of allowing unfair dumping of steel by foreign countries have done to our industry, and that directly relates to workers. You know, I applaud what the administration has recently done, but with a caveat and a concern. You got to do it the full way, and you got to do it for the full duration.

We will continue to work with the administration to make sure that there's protection. This is a critical piece of the lobbying that we did on behalf of the steel industry. So what we got wasn't even half a loaf. It was maybe a third of a loaf, because we didn't get the 40 percent. We didn't get the 4 years, and we didn't get the legacy costs.

So we just need to continue to move on this piece of legislation. I applaud the chairman and, really, my colleagues on the other side, the ranking member of the subcommittee and the full committee, for helping us move this piece of legislation expeditiously, and I look forward to moving upward through the full committee process to the floor.

I think we are going to have a lot of emotional testimony like we have heard so far, and the examples that I have gotten will go throughout the country of folks who have lost their livelihood and their jobs and their health insurance. You know, my prayer is that we can just do the right thing, come the end of the day.

With that, I yield back the balance of my time.

Mr. STEARNS. Thank the gentleman from Illinois. The gentlelady from California.

Ms. CAPPS. Thank you for holding this hearing, Mr. Chairman, and I am pleased that the subcommittee is turning its attention to legislation that will help restore health care benefits to thousands of steel industry retirees and their dependents. I am very honored to be sitting next to the ranking member of this subcommittee and to associate myself with his remarks, coming from years of living within that industry and seeing what has happened to it.

Mr. Chairman, the current steel crisis has forced 33 American steel companies into bankruptcy since the end of 1997. Seventeen steel companies have completely shut down and, as a result, as has been stated, over 125,000 retirees have lost their medical benefits.

These men and women devoted their entire lives to producing the steel that has ensured our national defense and our security abroad, and through no fault of their own they have found the medical benefits promised to them completely wiped out. Hundreds of thousands more are at risk.

Mr. Chairman, this is why we must act now and pass the Steel Industry Legacy Relief Act. This bill will set up a trust fund to ensure the health care and provide a prescription drug benefit for these steel retirees. It will also reform the industry by making bankrupt and failing American steel companies more appealing to acquisition.

This legislation enjoys bipartisan support, support of the steel unions, and endorsement from many in the industry. As the ranking member of the full committee has stated, it is a model that could be used without the field of other industries as well. It will foster the recovery of the American steel industry. It will provide health care to uninsured retirees, and it will protect our national defense.

I look forward to working with all the members of this committee to pass this critical legislation. Again, Mr. Chairman, I thank you for holding this hearing, and I look forward to the testimony of our witnesses. I yield back.

Mr. STEARNS. Thank you. And the gentleman from Nebraska, Mr. Terry.

Mr. TERRY. Thank you, Mr. Chairman. I can understand ranking member Dingell's motivation and the plethora of co-sponsors to this bill—their sympathy for this bill. A lot of industries have felt the effects of stagnant economic activity. Aviation industry, textiles, as we heard from our colleague, mining, logging, telecommunications, manufacturing in general, and other sectors have encountered the results of both international trade competition as well as a slow domestic economy. But is that enough to establish a Federal health care system above and beyond what Medicare beneficiaries receive for retired workers for one particular industry? I disagree. I don't think so.

Bethlehem Steel is here today in favor of this bill, and I understand why. Under competitive trade conditions, plus the introduction of heavy labor agreements, Bethlehem is an example of a domestic industry feeling the effects of the slow economy. Bethlehem wants health care coverage for its retirees paid for by U.S. taxpayers, because Bethlehem and its workers produce steel, which is the backbone of our economy. But what about the workers of Valmont, a manufacturing plant about one mile from my residence, within my district, that uses steel and makes it into products like telephone poles, irrigation equipment, wind energy?

What about them? What about Balen Manufacturing that uses that same steel, or Lozur Corporation who have told me personally over the August break of their horror stories about the increase in steel costs as well as significant delays in receiving the steel that has placed them at a significant economic disadvantage, which may displace some of their workers now? Those are my constituents that may be laid off because of the current conditions in the steel industry being passed to them.

Business is down, but Valmont, Balen, Lozur, in all of my discussions with them, did not once ask the Federal Government to take over the health care benefits of their workers. They in turn try and set up management tools to deal with the issue.

Yes, they want us to have to deal with the steel issue so that they don't have to absorb those significant increases in a short period of time when they are unable to pass those costs on to their customers.

Now I could go on and on about the retirees in my district alone who were dealt the short end of this economy stick: Qwest, Avaya—who has laid off about 50 percent of their manufacturing employees—Enron: all companies with significant presences in my district, and all undergoing financial woes and layoffs which hurt the remainder of their employees and their retirees.

These employees demand and deserve fairness. They demand and deserve transparency. However, they are not demanding that the government take over their health care with a Cadillac plan.

I look forward to the hearing and learning why this is absolutely necessary, and why we are even having these hearings. I look forward to the testimony, Mr. Chairman.

Mr. STEARNS. The gentleman from Tennessee, Mr. Gordon.

Mr. GORDON. Thank you, Mr. Chairman. I am also a co-sponsor of this legislation, and I think that I will just make my remarks part of the record so we can move forward and hear from our witnesses. Thank you.

Mr. STEARNS. I thank the gentleman.

What the procedure is going to be now, we are going to go to the members of the full committee. Oh, Mr. Walden, I'm sorry.

Mr. Walden is recognized.

Mr. WALDEN. Thank you very much, Mr. Chairman. I appreciate the fact that we are having this hearing today, and I look forward to the testimony as well.

As I sat here listening to some of the other testimony, it hit me as well during the August break that there are a number of other industries now that are paying the price for the steel decision, and in many cases it is agriculture, and I represent a very agricultural district.

I also represent a district that has some of the remaining aluminum industry production capability, and they have been hard hit as well, and certainly, the timber industry in my district has suffered mightily at the hands of the Federal Government and its decisions and changed policies.

So I have some concerns about this legislation. I look forward to hearing the testimony and reading it as well, and then I will make up my mind at that point. Thank you, Mr. Chairman.

Mr. STEARNS. Thank you. Let me just explain what the procedure will be. We are going to go to the members of the full committee in priority as they arrived, and then we will go to the individuals who have asked to speak, other members who are not a member of the committee, but I wanted to afford them an opportunity to speak. I would like them, since we have a great number of them, to limit it to 3 minutes, if you would, and then we can go through all of you, and this is sort of an opportunity for each of you to participate.

So with that, we will go to Mr. Strickland for his statement.

Mr. STRICKLAND. Thank you, Mr. Chairman. I applaud Ranking Member Dingell, Congressman LaHood, and Congressman Visclosky for introducing this vital piece of legislation.

We will hear today about the more than 124,000 retired steelworkers who have, through no fault of their own, lost their health benefits in the last 5 years. My father, who died at 92 years of age, who worked in the steel mills for 46 years, lost his health benefits as a result of a company—steel company bankruptcy. But we will also hear about the more than 500,000 retirees' health care benefits that are at risk.

This legislation will ensure that retired steelworkers have health care. It will save the American steel jobs, and it will secure our national defense. I hope this hearing draws attention to these urgent needs.

Still, legacy pensions and health care costs are the single greatest barrier to restructuring the U.S. steel industry, so that it can compete in the world market. Every year the domestic steel industry pays an estimated $965 million for retiree benefits. These burdensome costs make it nearly impossible for steel companies to survive when cheap foreign steel is illegally dumped into this country.

The legacy costs are also a barrier to industry consolidation, which is critical for international competitiveness. This legislation is a lifeline for retired steelworkers and their families who are not yet Medicare eligible, and who are left without health benefits due to a steel company's closing or merger.

Health insurance coverage is especially important for near-elderly Americans between age 55 and 65 who are at risk of serious illness for adults which arise with age. It is also important for those younger than 65 who are not Medicare eligible.

This legislation addresses this problem for steel retirees, providing them with Medicare level health coverage plus a prescription drug benefit until they become eligible for Medicare. This legislation also addresses the health insurance steel legacy costs of retirees who were not included in trade adjustment assistance aid that was provided to steelworkers this year in the Trade Act.

Additionally, I am pleased that the Trade Act did include these provisions. While I am pleased, I fear that the benefits provided are inadequate, since workers receiving these benefits must seek health coverage in the individual market for high risk pools.

This legislation underscores the serious problems faced by all who are uninsured in this country. Specifically, the bill underscores the need to address under-insurance as well as un-insurance on two levels. First, the proposal highlights how important it is to add a prescription drug benefit to Medicare and, second, it illustrates the need to help the growing number of all Americans who lack health insurance.

As we face the reality that the staggering number of steelworkers, retirees and their families are left without benefits, we understand that we cannot just simply stand by and watch a trade crisis rage, pillage, plunder, loot, utterly destroy the retirement of an entire generation of steelworkers.

I urge that this legislation move quickly and that we pass it into law and resolve this national crisis. I yield back my time.

Mr. STEARNS. Thank the gentlemen. The gentleman from Ohio, Mr. Brown.

Mr. BROWN. I thank the chairman. I will ask to have my entire statement in the record.

Mr. STEARNS. By unanimous consent, so ordered.

Mr. BROWN. Thank you. I thank Mr. Dingell, Mr. Visclosky here today, and Mr. LaHood for their leadership on this bill. The U.S., as we know, has become the steel dumping ground at the expense of U.S. jobs, the expense of our economy, the expense of our communities.

We important 39 million tons of steel, more than double the 16 million tons we imported as recently as 11 years ago. Steel prices, as we know, are below 1998 levels. Since 1997, 34 steel companies have declared bankruptcy, 17 since January 2001, including LTV in Cleveland, RTI in Lorraine, Ohio, CSC in Warren, Ohio. Unfair trade has victimized an entire generation of steelworkers who depended on this industry for their pensions and for their health benefits.

The President's decision to implement 201 tariff remedy, if not a panacea, at least seemed like a step in the right direction, but then the administration sold us out by approving almost 730 tariff exclusions, making 201 almost meaningless. This is the same administration that pushed through by one vote in December the fast track legislation which will accelerate the exodus of jobs from the United States to south of the border, and the same administration who pushed through fast track a second time just a month and a half ago by two votes, twisting arms, making last minute calls, making this their payback to corporate American because they had to sign the Corporate Accountability Act.

It's the same Republican leadership that has blocked the Steel Revitalization Act, H.R. 808, even though Mr. Quinn and many members of this committee in both parties have signed onto this legislation, a strong majority of members of Congress have signed onto the legislation, supporting the legislation. Clearly, we would have an overwhelming vote in support of the Steel Revitalization Act, but again it is blocked by Republican leadership.

Mr. Chairman, in order to do what this body needs to do to help Mr. Deal's textiles, to help the chairman's tomato and winter vegetables, the industry in his district, steel and auto in my part of the country, it is time we passed legislation such as H.R. 4646. It's time we passed legislation such as the Steel Revitalization Act. It's time we stopped passing trade agreements that are creating—that are digging a deeper and deeper hole for American jobs and American business. I thank the chairman.

Mr. STEARNS. Thank the gentleman. We are going to now go to the individuals who are not members of the full committee and, obviously, not the subcommittee. We will go with the gentleman from Minnesota first, Mr. Oberstar. Welcome, and we look forward to your 3 minutes, if you can.

Mr. OBERSTAR. Thank you very much, Mr. Chairman. I will submit a statement for the record, and speak from the heart momentarily. I appreciated your opening statement. I thought it was a very strong definition of the case, although I thought you were a little wobbly on the conclusion. We'll try to reinforce your position.

Mr. STEARNS. If the gentleman will yield just for a second, we are trying to extend goodwill to get this hearing in place so that we can determine the facts, and I know you as a member will not jump to necessarily conclusions without hearing from our witnesses.

Mr. OBERSTAR. That's why we are here; to strengthen you and shore you up on the conclusions, and I'll say to my colleague from Georgia, this is not a zero sum game. It's not, if one wins, the other loses. We in the rust belt have stood with textiles. They were the first to feel the impact of foreign imports, unfairly traded products, both textiles and the needle trades; and this gentleman, for years before the gentleman was a member of the body, supported every measure to protect and defend the textile industry of America against unfairly traded imports as the textiles moved from New England to the southern States, offshore to the Caribbean and now to the Pacific Rim. It's a textbook example of what is wrong with our trade policy, and we all need to stand together.

What we are seeing here in this legislation is maybe the last stages of a 30 year inexorable process under which the steel industry has come under assault from, first, the European Community, then the Soviet Bloc, now Third World countries who have added steel capacity. We have trigger price mechanism in the Carter Administration, voluntary restraint agreements under the Reagan years, Clinton negotiations. The Bush Administration has come forward with the Section 201 Steel Remedy Plan, and yet in the early 1980's we lost 280,000 jobs directly in steel, 980,000 associated jobs, and now these additional jobs that have been cited.

What we did in 1972-73 was to respond to the problem of the loss of steel industry by creating the Employee Retirement Security Act, ERISA, that established the Pension Benefit Guaranty Corporation to protect retirement income. That has worked well, 3,000 such plans are now under the protection of PBGC.

What we want to do is take one step further and, if we need to include textiles in it, we will find a way to do that. If we need to include the farm sector, we will do it. We voted for the farm bill. We voted to protect corn and wheat and other sectors of our—as a national security interest. Steel is also a national security interest. Let us all pull together on this initiative, and remember that Russian and Ukraine and Japanese and Taiwanese and Indonesian workers don't pay into our Social Security retirement program and don't pay into our Medicare fund. It's American workers who do.

Mr. STEARNS. I thank the gentleman.

The gentleman from New York, Mr. Quinn.

Mr. QUINN. Thank you, Mr. Chairman. I would ask unanimous consent to submit written testimony. Without objection, so ordered. Thank you very much. I want to associate myself with the remarks of my fellow T&I committee member, Mr. Oberstar.

To take my 3 minutes to talk from the heart, I guess, a little bit more than prepared text and to be helpful to other members of the committee, the purpose this morning is to gather information.

My father is a retired steelworker. He is 75 years old. I worked in the steel mills of western New York for 3 or 4 summers in college. In my district we have about 1200 active steelworkers and 14,000 retired steelworkers, and I guess all I would like to say, Mr. Chairman, as you review this and it makes its way through the full committee, is something I have said when Pete Visclosky and I in these past 4, 5, 6 years now, Peter, worked on the steel quota bill 3 years ago and H.R. 808 last year, is that there are real faces to these figures and numbers. There are real people out there we are dealing with and we are talking about trying to help.

This is an issue where the companies and the unions have come together. They are going to testify today, as they have for many years here through the steel caucus. So it is not necessarily a problem where management and labor have any difficulties. They are together on this issue more than anything else.

I guess from my perspective this is one of those issues where we have to stand together as Republicans and Democrats We did in the past. The only way we will be successful is if we do it again. I think the President showed enormous courage last year addressing the tariff side of this problem, notwithstanding the exemptions that my friend from Ohio mentions this morning.

I don't think it is particularly helpful to be talking about selling people out and to be criticizing one party or the other at this point in time. I think we would be better off trying to find ways where we can enlighten this subcommittee and the full committee to get ourselves politically, like we do on transportation, so many issues, to get to a solution.

I will tell you that in my father and mother's case, 75 and 74 years old as a retired steelworker, the fact that they may lose their health insurance just about makes them ill. The fact that they get up every morning and worry about the fact that they are not going to have health insurance almost works the opposite, almost gives them so much stress and so much discomfort and so much worry that it is going to make them ill, and they are going to have to access that in a short period of time anyway.

So in my situation, not only because of my personal involvement but because of the folks that I represent, and notwithstanding our farm bill and the other ways we can help, I suggest and I submit this morning, besides the written testimony, that we must find some ways to help this industry.

There were real faces last evening in Buffalo, New York. There was a meeting of retired steelworkers, packed, standing room only. The president of the company was there from Bethlehem Steel. He is there willing to answer questions and find solutions, and I think that is what we ought to be about here, not criticizing each other but finding some ways for some solutions.

I really appreciate the opportunity that the subcommittee has allowed members off the committee to be here.

Finally, I just want to thank the staff who sent me up a note earlier, and the note says, "Mr. Quinn, if you wish, you may move to the majority side at your convenience." You know, I got to tell you, when I came up here to sit down, I didn't even think which side I should sit on, and that's the approach we should take. This isn't one where we got political sides to take. This is one where we need to find a solution, and I'll sit or stand anywhere in this city to get us a solution. Thank you. I yield back.

Mr. SHIMKUS [presiding]. And I thank my colleague from New York. Now I want to recognize a member of the full committee, Mr. Buyer, for an opening statement. He is recognized for 4 minutes.

Mr. BUYER. Thanks. I will just be brief. I came here because I want to listen to this, and I agree with Jack. Moving toward a solution to this is very difficult, and it is very challenging, because it is industry specific.

The steel industry is not the only industry that may lose a job or may have a family in crisis, and that is what our challenge is. And because there are other industries out there, they are saying, well, why are you being biased toward steel? It's a nice question to ask.

Mr. Oberstar's comment about national security—it's true. These countries out there that are whopping us upside the head, these Third World countries—you know, if we are going to say, Steve, we want to form a new country, what are some things that we need? You need a steel industry. You really do.

When you talk about the top ten things that you need, you need a steel industry. So I am very supportive of what the President did with regard to steel. I am very cognizant, being from Indiana, having a lot of steel, having some mini-mills, having a huge agricultural base, about the impact and the destabilizing influences that have occurred in an economy when you take action to protect a particular industry.

The legacy cost issue is very difficult for us. It is challenging, and I want all of you to know that, because if you take one action for one industry, believe me, in this town everybody else gets in line. So we have to be very cognizant of that, and we have to be very careful.

With that, I just wanted to share that with you, and I wanted to come here today to be a good listener. I yield back.

Mr. SHIMKUS. The gentleman yields back his time. Now under the Chair's prerogative, I will mention that I am going to introduce to you a chairman of the steel caucus, a co-chair. The other co-chair is doing Ways and Means Committee work, Congressman Phil English, and he was quite upset that he wasn't able to manage both at the same time. So I send his regards, and those of you in the steel industry know of his fervent work on this behalf.

Now it gives me great pleasure to recognize the other co-chair of the steel caucus, Congressman Visclosky from Indiana, recognized for 3 minutes.

Mr. VISCLOSKY. Mr. Chairman, thank you very much for the recognition, and I do want to thank Chairman Stearns, the ranking member, and all of the members of the subcommittee for holding this, the first hearing that I am aware of after 21 months in the 107th Congress on a specific steel issue.

I am very grateful from the bottom of my heart, because while this is the first hearing that is being held in this Congress, I do think, and I would reference the Gary Post Tribune headline from last December, that we are on our last legs as far as the steel industry is concerned.

There have been a number of, from my perspective, red herrings raised today, including the price increases in steel. I would submit for the record information from the Purchasing Magazine Transaction Price Service that would indicate that hot rolled steel, cold rolled steel, hot rolled plate and cold finished bar are today selling anywhere from 3 to 22 percent below what their prices were in June 1997, but I would like to make four specific points on the underlying legislation itself.

The first is this is for health care. My good friend and colleague from Indiana raised a key issue. Why steelworkers? Why should they be treated differently than anyone else? Other people have lost jobs because of a soft economy. Other people have lost jobs because of trade imbalances.

The point that distinguishes steelworkers from everyone else is we have a unanimous decision from the International Trade Commission last fall that illegally traded steel caused the collapse of this industry, and that decision was so pertinent and so moving, it caused the President of the United States on March 5 of this year to impose tariffs for 3 years.

I would assume that the President would not have acted unless he was convinced by that ITC determination that illegal actions have caused this problem. If we find for textiles, other manufacturers, member of the agricultural community or any other individual worker in the United States that they have lost their job because our laws have been violated, then we should help them, too; and if we haven't, then shame on us.

This is not a Cadillac. If you want to see a Cadillac, you ought to look at the bill that Mr. Quinn and I introduced in March of last year, H.R. 808. We offered Title II which included legacy costs relief on four different occasions last fall. We were denied success four times, and the cost estimate was about $800 million a year, because we wanted essentially to replace every lost benefit.

This is a far cry from that, and I would hesitate to go out in that hallway and ask any Medicare recipient whether or not they thought that they were on a Cadillac system.

The chairman in his opening remarks mentioned the estimated cost of $13 billion. I also think that is a very dated figure, given the fact that this is a very measured proposal that I want to thank Mr. Dingell and Mr. LaHood for introducing this bill.

Finally, the administration, in issuing those tariffs, said that the industry has an obligation to consolidate. They cannot consolidate, and we cannot have a vital, integrated industry that we need for our national defense, if we do not in some way, shape or form address the issue of legacy costs relief.

I would ask that the subcommittee carefully consider this. I assume improvements can always be made, but I would also ask that action be taken, and I thank the chairman for his courtesy.

[The prepared statement of Hon. Peter J. Visclosky follows:]

PREPARED STATEMENT OF HON. PETER J. VISCLOSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman, Mr. Ranking Member, members of the Subcommittee on Commerce, Trade, and Consumer Protection, and distinguished members of the Committee on Energy and Commerce, I appreciate the opportunity to speak today at this hearing on H.R. 4646, the Steel Industry Legacy Relief Act of 2002.

While I deeply appreciate this hearing being held and view it as a start in addressing the legacy costs problems of domestic steel companies, I do urge the committee to act and report the legislation as soon as possible.

More than 124,000 retired steelworkers have lost their healthcare benefits in the last five years as the direct result of repeated steel import surges. Foreign steelmakers have produced massive excess capacity and dumped it onto the U.S. market, selling it at prices below the cost of production. This illegally traded steel has heightened the crisis in the American steel industry. The lost jobs have resulted in great suffering and hardship, not only for those workers and their families, but also for their communities, and indeed for our economy as a whole. H.R. 4646 is not a special gift for steelworkers or the industry; it merely provides needed compensation to hard-working men and women, who were hurt by the economic crimes committed by our trading partners. It also encourages and facilitates the rational consolidation of the industry pursuant to the President's request.

The legislation introduced by Mr. Dingell and Mr. LaHood is moderate in comparison to similar measures. Title II of H.R. 808, the Steel Revitalization Act, introduced March 2001 by Mr. Quinn and myself, estimated to have cost $800 million a year. While a cost estimate for H.R. 4646 is unavailable due to the inability to estimate revenues to be collected from the tariffs, I believe H.R. 4646 would cost less to the taxpayers than H.R. 808 or S. 2189, the Steel Industry Consolidation and Retiree Benefits Protection Act, currently pending consideration in the Senate.

H.R. 4646 is partially funded from the revenue from the recent Section 201 steel tariffs and from a one-time $5 per ton of annual capacity payment on acquired steel-making assets and the existing of retiree health care funds from participating companies. It's benefits would also be more moderate than those contained in H.R. 808 or S. 2189.

Opponents of H.R. 4646 say the measure is purely a gift and steelworkers should only be provided with catastrophic health care and only for a limited time. I believe their concerns are unfounded. First, the level of health care coverage that would be provided by H.R. 4646 is catastrophic coverage. It offers little more than Medicare level coverage. Second, the number of people able to participate in the program created by H.R. 4646 is limited, as too is the enrollment period. Additionally, many among these hard working men and women turn 65 everyday, qualifying them for Medicare, which would replace an overwhelming majority of the benefits provided by H.R. 4646, therefore, lowering the draw from the trust fund established by the bill.

The Administration understands the need for consolidation among the domestic steel companies and has called for it. Last week the Commerce Department received confidential progress reports from the industry on consolidation. Without the legacy relief contained in H.R 4646, rational consolidation among domestic integrated firms will be impossible. H.R. 4646 would help companies to consolidate, by helping many of them avoid bankruptcy and helping hard-working employees keep their jobs, preventing an unneeded, additional burden on our economy.

I again applaud the subcommittee's work and for holding this hearing. I urge the committee to report H.R. 4646.

STEEL PRICES

Product	Dollars per Ton					% Increase		
	June 2002	March 2002	January 2002	June 2001	June 1997	Jan 02 to Jun 02	Jun 01 to Jun 02	Jun 97 to Jun 02
Hot Rolled Steel	340	260	220	240	350	55	42	-3
Cold Rolled	435	370	320	340	480	36	28	-9
Hot Rolled Plate	320	250	250	297	410	28	8	-22
Cold Finished Bar, SBQ	460	440	415	440	489	11	5	-6

Source: Purchasing Magazine Transaction Price Service.

Mr. SHIMKUS. The gentleman's time has expired. Now the Chair recognizes my colleague from Illinois, Congressman David Phelps, for 3 minutes.

Mr. PHELPS. Thank you, Mr. Chairman. I, too, want to joint the members in thanking Chairman Stearns and anyone else who had anything to do with letting us have this opportunity today to discuss this very important issue. Mr. Dingell and Mr. Visclosky certainly have afforded us great leadership to get us where we are here today.

First, to find a solution we have to acknowledge there is a problem, and many have not ever acknowledged that. Unfortunately, some things are so obvious that you can ignore, I guess, in some respects.

I ask unanimous consent to present my written statement for the record, which I won't read.

Mr. SHIMKUS. Without objection, so ordered.

Mr. PHELPS. But I am very much an original co-sponsor and in very much support of H.R. 4646 and what it does in its entirety.

If you have ever looked into the eyes of a steelworker that's lost their job, you can understand the devastation, and especially if you look at home at many of the widows and the people they have left with the staggering cost of trying to survive. Not only have you seen the steelworkers devastated by the loss of jobs and retirement benefits and to keep themselves healthy at a time in their life when it is most vulnerable, but you have seen the slip of pride, the will to live even in some of these people's stories.

They have great self-esteem in the craft that they have perfected through 20, 30, 40 years, some of them. I know the stories. They don't so much fear the tariffs that we are going to defeat, and are in the midst of. Many of these are veterans of wars, the greatest generation that brought us here. You look into their eyes. We want to talk about Iraq and other things that we are doing. They don't have fear, those people. You know what they fear most is how our own countrymen can pass policies that take away their pride and their way of being independent where they don't have to rely on a handout instead of a hand up.

That's the people I've met in central and southern Illinois. Over 5,000 jobs have gone over 30-some-odd steel companies taking bankruptcy, and four of those are in Illinois. Inexcusably, it could have been avoided. Illegal dumping: Citizens are asking how could we let corporate people keep involving illegal activity without having some caution or call their hand to duty.

That is why we are here, I hope, in a bipartisan manner. We should be. Let me tell you one story before I forget, and then get out of here.

The only fluor spar mine in all of the United States is in my little one county, Hardin County, district, 5,000 people in the whole county, 300-some-odd jobs left there. My predecessor, former Congressman Glen Pechard, when I was a State Representative, both represented that area. They left, went to China. We pleaded with them.

Some people had 30-some-odd years, 6 months away form retirement benefits, their spouses in bed with devastating diseases, taking hundreds of thousands of dollars to try to pay the medical bills and the prescription drugs just to take away the pain. Can you stay a little longer or can we work out something through State and Federal resources to keep you here? They went to China.

We don't use less fluor spar for medicinal and for industrial purposes. We use more. You know what they pay those workers over there, 68 cents an hour, and those people under the company of Ozark Mahoney that sold out to this big conglomerate overseas worked 30-some-odd years, were there 60-75 years almost in Hardin County, is gone. And those people are on unemployment.

That is what we are facing today, those kind of challenges. Unless we have the courage to step in and take up for our own, in God's name, where will we be tomorrow? Thank you.

[The prepared statement of Hon. David Phelps follows:]

PREPARED STATEMENT OF HON. DAVID D. PHELPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

I would like to thank the committee for giving the me the opportunity to speak in support of the Steel Industry Legacy Relief Act. I also would like to echo my colleagues remarks in support of this worthwhile legislation and thank Congressman Dingell and Visclosky for their dedication and hard work on this issue.

The American steel industry and steelworkers are in the midst of the worst crisis in many years due to the continued illegal dumping into this country of foreign-made steel. Thousands of steelworkers have lost their jobs and countless more are in jeopardy. In my Congressional District in Central and Southern Illinois, the effects have been devastating.

As a result of foreign dumped steel since 1998, 31 steel companies have filed for bankruptcy nationwide. Of these, four are located in Illinois, which has caused over 5,000 Illinois steelworkers to lose their jobs. I have seen firsthand the devastation this has brought to the area.

I have visited steel mills and attended rally's where I had the opportunity to discuss the concerns of steelworkers and retirees.

The survival of the steel industry and the rights of steelworkers is something I have been actively fighting for. I am pleased President Bush implemented a tariff on the flood of injurious steel imports, but if the steel industry is going to be saved then legacy costs for retiree health care must be dealt with. This will not only prevent a human tragedy of enormous scope from being perpetuated, but it will encourage the kind of rational and consolidation that will allow the steel industry to revitalize itself.

I am a proud original cosponsor of the legislation we are talking about today. H.R. 4646, provides healthcare benefits for Steelworker retirees if a company fails or files for bankruptcy.

This bill will provide health insurance for the retirees of steel, iron ore, and coke companies. These firms have either been driven out of business or severely threatened by the recent steel import crisis. Once enrolled in the program, retirees and their beneficiaries will receive major medical and prescription drug coverage. Medical coverage would be similar to Medicare benefits, and the prescription drug coverage would be similar to benefits included in the federal plan and the Blue Cross/ Blue Shield Standard Plan.

In addition to securing health insurance for retirees, the bill seeks to strengthen the American steel industry and the surviving steel companies. This removes the weight of "legacy costs" as a barrier to their merging, but does so in ways that encourage American firms to create the kinds of larger companies now operating in Europe and Asia.

Lastly, this legislation seeks a preference for American steel companies. This is provided by a "right of first refusal" on the purchase of other American steel companies to other existing steel companies.

By helping the industry survive, this legislation supports the Domestic steel industry which is vital for national defense. In is in our military and national security interest for the United States to have a strong steel industry for the future.

Now is the time to stand up for steel and American steelworkers! This legislation provides real relief for steelworkers and the steel industry.I hope that this hearing will bring us one step closer helping the steel industry and its workers. Thank you again, for giving me the opportunity to speak on behalf of steelworkers in Illinois and across America.

Mr. SHIMKUS. The gentleman's time is expired.

I want to recognize Congressman Doyle.

Mr. DOYLE. Thank you, Mr. Chairman. Now Congressman Tim Holden, who is a co-sponsor of this legislation and has worked hard on this, wanted to speak today and was here briefly, but got called away on other business, and I ask unanimous consent that his remarks be made part of the record.

Mr. SHIMKUS. Without objection, so ordered.

[The prepared statement of Hon. Tim Holden follows:]

PREPARED STATEMENT OF HON. TIM HOLDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, members of the Subcommittee, thank you for holding this important hearing today. I am pleased to join my colleagues on this panel to testify before you on the importance of resolving the legacy problem in the steel industry and to ensure that our nation's steelworkers are treated fairly.

The steel industry has been the backbone of manufacturing in this nation since before the industrial revolution. It is an industry rich in history and deeply rooted with pride. Today, however, it is an industry in trouble. Many workers, retirees, and dependents are faced with the possibility of losing healthcare benefits and pensions.

I applaud the President's decision earlier this year to implement temporary tariffs, which will give the industry some breathing room to restructure its operations to compete effectively in the global environment. Tariffs, however, are not enough.

As a matter of fairness, we must help the working families in the industry who find themselves without jobs, healthcare and pensions. We need to address the legacy cost issue.

Here in the United States, we operate under an employee-based healthcare system. That means when companies go bankrupt or liquidate, workers are at risk of losing their healthcare benefits. To date, I believe 35 steel companies nationwide have filed for bankruptcy. Seven of those companies are located in my home State of Pennsylvania. Ohio, West Virginia and Indiana, along with Pennsylvania, are some of the hardest hit states. Our steelworkers went from collecting paychecks to unemployment and many of our rural communities have never recovered. My state has lost approximately 10, 000 jobs since 1998 and there are well-over 100,000 retirees and dependents whose healthcare and pensions precariously hang in the balance.

While this hearing is not about unfair trade practices, I think it is important to note that many of these retired steel workers were forced into retirement when industry restructuring driven by unfair trade caused the elimination of their jobs.

Our lack of enforcement of trade laws is a big reason we find ourselves in the current situation. We allowed for this legacy crisis to develop and we must act responsibly to fix it.

I am proud to be an original cosponsor of the Steel Industry Legacy Relief Act because it provides just compensation for the unfair trade practices that we failed to stop.

The bill's primary focus, as you know Mr. Chairman, is to secure healthcare coverage for the several hundred thousand retirees who either already have, or soon will lose their healthcare and other retirement benefits. Once their former employer companies have enrolled in the program, retirees and their dependents will receive medical and prescription drug coverage.

Another important goal of the bill is to strengthen the remaining steel industry by removing the legacy cost-burden while encouraging American firms to create the kinds of larger companies now operating in Europe and Asia.

Action is needed right now, Mr. Chairman, to preserve pension and health benefits to steel retirees. Unfair trade should not be allowed to discriminate against an entire generation of Americans who contributed greatly to this country's success.

Once again, I applaud this Subcommittee for holding this hearing today and thank you for the opportunity to appear before on this critical issue for Pennsylvania and for the entire nation.

Mr. DOYLE. Thank you, Mr. Chairman.

Mr. SHIMKUS. I am at a loss. Congressman Harman just showed up. She is a member of the subcommittee, and I have to recognize her for 3 minutes.

Ms. HARMAN. I have less than that, Mr. Chairman.

Mr. SHIMKUS. Great.

Ms. HARMAN. I just want to make a 30 second comment, which is that I understand quite well the legacy costs associated with industry downturns, closures, and consolidations. The aerospace industry which I represent in southern California has experienced similar painful convulsions over the last decade.

Indeed, it is interesting to note that both Boeing and Lockheed-Martin are among the top 25 companies with the largest legacy costs. I know that the solutions are not easy, and I compliment our ranking member, Mr. Dingell, for putting forward a proposal for dealing with steel's legacy costs.

I think this hearing is critical to help answer important policy questions underlying the bill: the overall cost to taxpayers, the competitive advantages some steel companies would garner as a result of this proposal and, at its heart, the type and quality of health and retirement benefits and the recognition we should give to Americans who have spent their entire lives in an industry like the steel industry.

I just want to commend my friend, Mr. Phelps, for his passion and to thank you, Mr. Chairman, for holding the hearing. I yield back.

Mr. SHIMKUS. The gentlewoman yields back. I ask unanimous consent that Congressman LaHood, who is a co-sponsor of the legislation, statement to be submitted to the record.

[The prepared statement of Hon. Ray LaHood follows:]

PREPARED STATEMENT OF HON. RAY LAHOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Thank you for the opportunity to present this testimony regarding the Steel Industry Legacy Relief Act of 2002 to the Subcommittee. This legislation will protect the retirement of steelworkers who have devoted their entire careers to produce the steel that ensures our national defense and security. Over 125,000 steelworker retirees have already lost their health care benefits, and thousands more are at risk. Over 85,000 of these lost their benefits in March when LTV steel closed its doors. I represent former employees of the LTV plant in Hennepin, Illinois, one of the most modern and efficient steel plants in the world. Retired steelworkers in central Illinois have lost their health care coverage and suffered reduced pensions as well, which severely limits their ability to pay for health care coverage on their own.

This bill will set up a trust fund to provide health coverage and a prescription drug benefit to steel retirees whose former employers have permanently closed or been acquired by another company. It will be funded by a surcharge on steel shipped by acquired companies, assets of the acquired companies, and tariffs imposed by President Bush on imported steel. Once enrolled in the program, retirees and their beneficiaries will receive major medical and prescription drug coverage similar to what is offered to federal employees.

The cost of health care and insurance is rising at an alarming rate each year. Many retirees find themselves unable to afford the prescription drugs they need, and that often will save their lives. Steelworker retirees are often receiving reduced pensions, which can make the need to purchase health insurance even more difficult, particularly when it is an unplanned expense. Health care is among the most important issues before Congress, and I believe we can play a part in making sure that these retirees receive the benefits that were promised to them.

A second, but extremely important, benefit of this legislation is that it will remove the burden of costly retiree medical benefits that often discourage stronger steel companies from buying those in bankruptcy. Acquisitions and mergers are necessary to transform American steel companies from relatively small producers into a consolidated market force that can compete with the large corporations currently operating in Europe and Asia. Without this transformation of our domestic industry thousands more steelworker jobs are at risk.

It is in our military and national security interest for the United States to have a strong steel industry for years to come, and to protect our workers who are suffering through no fault of their own. We need to support this vital industry and its retirees. I urge your support of H.R. 4646, the Steel Industry Legacy Relief Act of 2002.

Mr. SHIMKUS. Now I recognize my friend and colleague from the State of Ohio, Mr. Kucinich, for 3 minutes.

Mr. KUCINICH. Thank you very much, Mr. Chairman. I ask unanimous consent to have my statement put in the record.

Mr. SHIMKUS. Without objection, so ordered.

Mr. KUCINICH. I am very proud of my colleagues who have worked on this issue over the last few years, and I support this legislation and urge its passage.

People who work their entire lives with the promise of health care benefits in their golden years should have those benefits protected by our government, because when you get down to it, they weren't working just for themselves. They were working for their families. They were working for their company, and they were working for America. They were working to protect this Nation by keeping intact our industrial base with their labor.

Now think about this. Day in and day out, working in these fiery furnaces 20, 30, 40 years. It's tough, back breaking work that most of us sitting at these tables, healthy as we may be, would find it very difficult to do.

Now the travails of the constituents of my good friends from Florida and Georgia and Nebraska who spoke earlier are well taken, and they should be of concern to us. The cause of Florida and Georgia and Nebraska should be the concerns of all of us, just as the cause of our steel communities should be the concerns of our friends from Georgia, Nebraska, and Florida. We cannot afford to be pitted against each other, because we could lose it all in this country.

It was said years ago about a house divided. Well, a house divided against itself cannot stand, whether such division is over civil rights or economic rights. The issue of legacy costs, which we are here to address and which we should address, really reflects a need for an American economic policy and a new American manufacturing policy to recreate our strategic industrial base of steel, automotive and aerospace, to have a strategic manufacturing policy, to have a strategic policy in textiles, in agriculture and other areas, to have a trade policy which understands how our economic position in this country is being eroded by NAFTA, by GATT, by the World Trade Organization, by the International Monetary Fund.

You know, I have sat in hearing after hearing, Mr. Chairman, and I have heard people come and testify and say, well, we have overcapacity in this country. Well, it wasn't our steelworkers who committed that overcapacity who created it. It was the World Bank. It was the International Monetary Fund who created circumstances that helped to shift jobs out of this country. And then they pitted our workers against workers in other countries.

This is an opportunity for this Congress to begin to correct some wrongs, some basic defects in the way this country has proceeded over the last few years. We need to begin anew. This is the chance to begin anew. Give the steelworkers their legacy costs. Protect these health care benefits, and let's make a new beginning here toward a new America where we can make sure that everyone who labors by the sweat of their brow will in their senior years be affirmed and made whole. Thank you.

[The prepared statement of Hon. Dennis Kucinich follows:]

PREPARED STATEMENT OF HON. DENNIS J. KUCINICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman, thank you for the opportunity to testify today.

The bill we have introduced, the Dingell-Lahood Steel Legacy Relief Act, will ensure that all retirees of all troubled steel companies—companies that have closed, companies that are bankrupt, companies that are being acquired—will have for themselves and their families health benefits equivalent to what's provided by Medicare, and a prescription drug benefit similar to the Blue Cross/Blue Shield program.

To do this, this bipartisan bill sets up a trust fund in the Treasury Department that taps steel import duty receipts, the assets of government-assumed retiree health care plans, and a portion of the profits made by healthy steel companies that benefit from this program.

The Act ensures that the United States will not stand by and watch while thousands and thousands of workers who helped build this country are left unable to take care of themselves and their families. It is a critical step in our ongoing efforts to help the steel industry and steel workers, and in many ways it is a mark of how far we have come in that effort.

We pushed a long time for the Administration to initiate a Section 201 steel investigation, and finally last year we got one.

We pushed the International Trade Commission to recognize the devastating effect of steel imports through a finding of injury, and we got it.

We gathered with 25,000 steelworkers on the ellipse to make sure the President imposed an effective remedy, an effective tariff, to help stem the tide of imports. He did.

Many of us have spent countless hours trying to save steel companies in our districts that are on the brink. In my hometown of Cleveland, our entire community—steelworkers, local government, state government, businesses, churches, citizens—coalesced to keep LTV from shutting the doors on our steel mills forever. And we won—the mills remain, and a new owner will keep them running.

And now we are all stepping forward—the Steelworkers, steel companies, Members of Congress—to ensure that men and women who have given 20, 30, even 40 years of their lives to the manufacture of steel are not left behind.

Now it is the Committee on Energy and Commerce's turn to finish the job. Please pass the Steel Legacy Act out of this committee and encourage leadership to bring it to the floor so the steelworkers can enjoy a healthy retirement.

Thank you.

Mr. SHIMKUS. I thank my colleague from Ohio. The Chair wants to announce that there are a series of three votes on the floor. It is probably good timing, which means the politicians are done speaking.

We will recess for approximately 30 minutes for us to go over and have our votes, and then we will have testimony from our invited guests.

With that, the Chair now recesses the subcommittee.

[Brief recess.]

Mr. STEARNS. The subcommittee will reconvene.

Additional statements submitted for the record follow:]

PREPARED STATEMENT OF HON. W.J. "BILLY" TAUZIN, CHAIRMAN, COMMITTEE ON ENERGY AND COMMERCE

Thank you Mr. Chairman, I commend you for holding this hearing and I commend the Ranking Member, Mr. Dingell, for his leadership on this issue. The steel industry has been adversely affected, by among other things, unfair trade practices. The resulting financial distress creates problems for both employees and, in some cases retirees. Under H.R. 4646, the "Steel Industry Legacy Relief Act of 2002," the federal government would create and support a new program of health insurance for the retirees of steel, iron ore, and coal companies. These firms have either been driven out of business or severely threatened by the recent steel import crisis. Once enrolled in the program, retirees and their beneficiaries would receive major medical and prescription drug coverage under a new government program.

I have a number of questions about the proposal that are worth examining today. Most importantly, what are the circumstances affecting the steel industry that justify the precedent for a public health insurance program for steel industry retirees only? There are many distressed industries in the country, including the mining and airline industries. Why is the steel industry a special case?

Second, why is Medicare an insufficient safety net for retirees who are 65 or older? I understand that the companies' health insurance benefit package may have been quite rich. However, on what basis should we provide a prescription drug benefit for one class of retirees and not for other retirees? We just had that debate at the Committee several months ago in the context of our Medicare markup.

Finally, what are the budgetary implications of such a program? Our budget numbers are changing rapidly—and not for the better. How will this bill affect other health care debates?

I hope this hearing begins to address some of these issues. I once again commend Mr. Dingell for his great passion and commitment to this issue and look forward to hearing from the witnesses.

PREPARED STATEMENT OF HON. BART STUPAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

I would like to thank the Subcommittee for holding this hearing today on this issue that is so critical to our steel industry. Back in May I stood with my colleagues from the Steel Caucus and the sponsors of this legislation, Mr. Dingell, Mr. Visclosky and Mr. LaHood, as this bill was introduced, and we called for speedy action on this issue. This hearing is an important step, and I hope that we can advance H.R. 4646 as quickly as possible. As a member of the full Committee I pledge to do whatever I can to assist in this effort.

Relief of legacy costs and a solution to the health care crisis faced by steelworker retirees are desperately needed. Between January 1998 and April 2002, nearly 50,000 steelworkers lost jobs, a 20% decline in employment in this sector. Tens of thousands of retirees who put in years of hard honest work have come to find that their health care benefits are not secure, or have been totally wiped out.

We cannot let this continue a moment longer. We must step in to help these workers and their families who have dedicated their lives to the backbone of American industry, American steel and this bill will do that.

I am also pleased that this bill includes the iron ore industry and its steelworkers in the solution. I represent northern Michigan, which is home to 2 iron ore mines, the Empire and the Tilden, that have suffered greatly because of the crisis to the steel industry that they serve. I fight hard for the steel industry with the rest of my colleagues on the Steel Caucus, but I also always make sure that the iron ore industry has a fighter as well, because a domestic iron ore industry is just as critical to our national security and national defense as a healthy steel industry.

I worked to insert a technical fix into the bill so that the $5 surcharge that will be on each ton of steel by a qualifying steel company will not apply to iron ore companies. This is because while steel may sell for $400 a ton, so that a $5 surcharge is eminently reasonable, iron ore only sells for around $30 a ton. A $5 surcharge would be a heavy and disproportionate burden on an iron ore company that may come under this system. Therefore, H.R. 4646 contains a separate, proportional 30 cent rate for iron ore, so that the iron ore industry can also be ensured relief under this bill, if it is needed.

I also have worked very hard to ensure our steelworkers get a fair shake in their health care costs. In the recent Medicare markup, I offered an amendment—voted against by all Republicans—that would have made steelworkers eligible for the same benefits that retired coal workers receive under the Coal Act. These benefits include prescription drug costs capped at $50 per year per family out-of-pocket costs. My amendment would have also made sure that our retirees are not forced into a drug benefits system they do not want.

H.R. 4646 is a comprehensive bill that will help all segments of the steel industry as it fights back against the unfair trade that brought on the current crisis. I am pleased to be an original cosponsor of the legislation, and look forward to a markup in the near future.

Thank you.

PREPARED STATEMENT OF HON. JERRY F. COSTELLO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman and Mr. Ranking Member, thank you for the opportunity to testify today at this hearing on H.R. 4646, the Steel Industry Legacy Relief Act of 2002.

Almost 125,000 retired steel workers have lost their healthcare benefits in the last five years, as the United States has become the dumping ground for the world's excess steel products. The dumped foreign steel is sold at prices below the cost of production, and is a significant factor in the current near-crisis status of the American steel industry. Since 1997, over 31 steel companies have filed for bankruptcy, with over 33,000 steel workers having lost their jobs. The impact of these steel companies closing can be felt in communities across the nation, including communities in my Congressional District, where one company has closed because of bankruptcy and one other is operating while reorganizing in bankruptcy.

H.R. 4646 will help ease some of the hardships faced by creating and supporting a health insurance program for steel retirees. Under the legislation, qualified retirees and their dependents would be eligible for catastrophic health insurance as well as a prescription drug benefit. In addition to providing basic health insurance for these retirees—who have lost there jobs through no fault of their own but rather unfair trade practices—the legislation will also help the steel industry.

The legislation strengthens the American steel industry by addressing legacy costs. These legacy costs are often seen as a barrier to the consolidation of the steel industry, a step that is recognized as a necessity for a strong American steel industry in the future.

Mr. Chairman, this is a good bill that will help both retirees and the steel industry. We should be holding a vote on this legislation, not a hearing. The time for a hearing was months ago. I urge the subcommittee to pass this legislation, move it through the full committee, and get it before the full House of Representatives, so we can get it over to the Senate. Time is of the essence—there are people in great need of help. It is imperative that Congress pass this legislation this year.

Mr. STEARNS. I thought we would start with our witnesses, if they would come forward. Members will be coming in, and you have been very patient during our three votes, and we want to continue to have your open testimony and, at the same time, the members will be able to ask questions after each of you.

So I welcome each of you to come before us: Mr. Bill Klinefelter, Assistant to the President, United Steelworkers of America; Mr. Thomas Broderick, Manager, Total Health Programs, Bethlehem Steel; and Mr. James Collins, Senior Advisor and Former President, Steel Manufacturers Association.

We give each of you 5 minutes for your opening statement. We appreciate your patience, and welcome. Mr. Klinefelter, we will start with you.

STATEMENTS OF WILLIAM J. KLINEFELTER, UNITED STEELWORKERS OF AMERICA; THOMAS J. BRODERICK, BETHLEHEM STEEL; AND JAMES F. COLLINS, STEEL MANUFACTURERS ASSOCIATION

Mr. KLINEFELTER. Good morning, Mr. Chairman. I want to thank you and the majority for holding these hearings. I think that they are very important to get on the record what is going on in the basic steel industry and what needs to be done.

I would like my statement to be submitted to the record, and I will summarize as much as I possibly can in this statement.

Mr. STEARNS. By unanimous consent, so ordered.

Mr. KLINEFELTER. I think it is important to realize that there is a story that stretches out in basic steel that has a beginning, a middle, and where we are today. The beginning is back in the late 1970's, early 1980's.

I remember testifying before the Energy and Commerce Committee back then when we were told, and experts were telling us, that the problem with the steel industry in the United States and why it couldn't compete with the Japanese and couldn't compete with the Europeans was because we couldn't make Japanese quality steel and that this was a problem of bad relationships with the union. This was a problem with bad management. This was a problem of lack of investment. This was a whole range of problems in the domestic steel industry that, if they were corrected, would solve the problem of the basic steel industry.

Well, the story since the 1980's is a story of success in the basic steel industry in the United States. It is the story of the investment of $50 billion into renewing that industry and to making it more productive. It is the story of closer labor relations between the union and the companies to increase the productivity and efficiency.

Back in the bad old days, as they were called, they used to take 10 manhours per ton to make a ton of steel. Now we are down to around 2 manhours per ton. I would say that a productivity increase of 175 percent is one tremendous landmark for any industry in the United States to achieve.

So after the investments, after the relationship improvement with the steelworkers union, what is the problem? Well, the problem is that for 20 years we have had a failed trade policy in relationship to steel. What happens is that we have a round, a surge of imports coming into the United States, and these imports weaken the industry, because prices go down, profits go down. The industry is weakened.

Then we file a whole bunch of cases under the anti-dumping laws or the countervailing duty laws, and these cases temporarily plug that hole, but they only do it for one product line. They only do it against a number of countries. They are not comprehensive. They don't deal with the problem—the trade problem in a comprehensive way.

So what happens is you see the production in that steel product move from this country to another country, and the problem of imports, cheap imports, into the United States undermines the prices of steel in the United States continues, and it has continued off and on, unabated, for 20 years—for 20 years.

Now we come to why we are here today. Following that line of progression, we come to 1997, and we all know what happened in 1997. There was the Asian collapse of the monetary markets, the Asian currencies, and there was failed IMF policies, brutally failed IMF policies which guided those countries, such as Korea and Thailand and Indonesia, to go to an export oriented price.

Now Korea, as we all know, has 40 million tons of capacity of steel. If Asia is no longer bringing the steel in, if growth is not there, this steel needs to go someplace. So Korean steel starts coming to the United States. Japanese steel starts coming to the United States, Thai steel, Indonesian steel. And because there was no place to put the Russian steel—and let's face it, the Russians have this gigantic steel industry which they probably—they don't need at the moment anyway, because they are not a consumer society, and they no longer build tanks to come into Europe—they have tremendous overcapacity as well.

So in that crisis, we began to see a tremendous surge of steel into the United States, and by August 1998, I believe it was, our market was penetrated to the tune of 40 percent, a 40 percent penetration. If that had been allowed to continue, the basic steel industry as we know it in the United States would no longer exist.

Now what happened was we filed cases, and the cases gave us some temporary relief. But as I've said before, the shift began in 1999, and we were back with the same problem that we had, but we are back with a far weaker industry. This industry gets weaker each time this flood of imports continues.

What happened was is what we have today. We have these 35 companies in bankruptcy. We have the fact that these other companies are teetering on the brink. Well, when we got together and we said how are we going to solve this problem, we said there were three things that needed to be done, and I'll say this very quickly, three things. Then I'll answer questions.

Three things that needed to be done: No. 1, we had to control imports. That is the 201. The 201 needs to stay in place. It needs to stay in place for the duration, and we can't have anymore of these exemptions given to our trading partners.

Number 2, we had to deal with the legacy cost issue, which was retiree health care. Number 3, the union and management would get together, negotiate, and try to make the industry more efficient.

The basis of all this was, and the consensus of all this was, we need a consolidation. Unless we have all three legs of the stool—unless we have all three legs of the stool, it falls over. It will not happen. We will have destroyed the basic steel industry in this country, and that has to be a national security consideration.

Thank you.

[The prepared statement of William J. Klinefelter follows:]

PREPARED STATEMENT OF WILLIAM J. KLINEFELTER, LEGISLATIVE AND POLITICAL DIRECTOR, UNITED STEELWORKERS OF AMERICA

Mr. Chairman, Ranking Member Doyle, and distinguished members of the Subcommittee, thank you for holding this hearing today to examine H.R. 4646, the Steel Industry Legacy Relief Act of 2002. This legislation is of vital interest and importance to several hundred thousand steelworkers and retired steelworkers across the nation who have either already lost their health insurance benefits due to the bankruptcy of their employers or whose health insurance benefits are jeopardized because of the crisis in the steel industry. We appreciate the opportunity to appear before you today to explain the urgent need for this legislation.

The American steel industry has been devastated by a flood of foreign steel, much of which has been illegally "dumped" in the United States' market over the past five years. Steel imports rose from 31 million tons or 25 percent of domestic consumption in 1997 to 41 million tons in 1998. Steel imports captured nearly 40 percent of the market. As a consequence of the flood of foreign steel into the U.S. market, domestic steel prices collapsed to record low levels. The price of hot-rolled steel, the largest volume product, fell from an average price of $340 per ton in 1997 to $260 per ton in December 1998, and to $210 per ton in December 2001. Since 1998, 35 companies have declared bankruptcy and 17 of those firms have ceased production. Some 50,600 steelworkers have lost their jobs. More than 100,000 steelworker retirees have lost their health care benefits. Another 500,000 retirees' health care benefits are at risk with the possibility of further liquidations in the steel industry.

Following one of the most intensive investigations in its history, the U.S. International Trade Commission (ITC), an independent federal agency, found that imports had "seriously damaged" domestic steel producers. The Commission recommended that tariffs and quotas be applied to 16 of 33 steel import product categories. In March, President Bush ordered tariffs imposed on 14 of 33 product categories starting as high as 30 percent this year, but declining to 24 percent next year and 18 percent in the third year with regular tariffs resuming in the fourth year. Several countries, including Canada, Mexico, and nearly all developing countries, were completely exempted by the President from the Section 201 tariffs.

Our steelworkers and the steel industry applauded the President's decision last March to impose Section 201 tariffs. Unfortunately, however, subsequent decisions by the Bush Administration to grant hundreds of exemptions from the Section 201 tariffs have had the effect of diluting the intended benefit of the original decision. While some exemptions were warranted based on the fact that certain products were not produced domestically, too many of the exemptions which have been granted by the Administration have been approved for no good reason. ITC Commissioner Hilman estimated that before the exemptions the Section 201 tariffs would apply to only about 29 percent of all steel imports. Given the fact that the Administration has already exempted approximately 25 percent of the tariffs which it imposed last March, the tariffs now apply to even less than 29 percent of imports.

At the end of 1999, American steel's retiree health care benefit obligation totaled an estimated $13 billion. Health care benefits for 600,000 retired steelworkers, surviving spouses, and dependents cost domestic steel producers an estimated $965 million or $9 per ton of steel shipped. The average steel company has approximately three retirees for every active employee—nearly triple the ratio for most other basic manufacturing companies. Several steel companies have retiree health care costs that are substantially higher than the industry average. Our active members and retirees are concentrated most heavily in Pennsylvania, Ohio, Indiana, Maryland, Illinois, West Virginia, Minnesota, and Michigan, but they live all across the nation.

In the U.S. up to now, we have made a public policy choice in favor of employment-based health insurance coverage rather than guaranteed national health insurance. This means that when an employer goes bankrupt or liquidates its operations, workers and retirees are at risk of losing their health insurance and access to health care services. Regrettably, tens of thousands of steelworkers and retirees from LTV, Acme, Laclede, Gulf States, CSC, Northwestern Steel and Wire, and numerous other steel companies are now facing this terrible prospect.

Who is being hurt in this crisis?

People like Gertrude Misterka of Baltimore, Maryland. Gertrude's late husband, Charles, worked for Bethlehem Steel at Sparrows Point for 30 years. Through his Steelworkers union contract, he was able to earn a pension and health care benefits. He died in 1996. His wife is a diabetic and insulin-dependent. She also suffers from hypertension and asthma and is on numerous medications. Gertrude is 65 years old now and is eligible for Medicare, which pays 80 percent for her diabetic monitoring machine. But Medicare pays nothing for her outpatient prescription drugs, which are increasing in cost while her income from her late husband's pension and Social Security is fixed. Over 14 months, Gertrude's medications cost her $936.53 out of pocket. However, if she did not have health insurance, these same medications would have cost her $6,716.16 (based on information she received from her pharmacist).

Steelworker Bob Rankin worked at the former LTV Steel company in Cleveland, Ohio for 34 years before his plant shutdown. He and his wife have a 10-year old son born with a brain injury. When Bob's son was two years old, Bob was told that his son probably would not be able to speak or communicate with other people. Fortunately, Bob and his wife discovered a hospital in Philadelphia, which has provided his son with intensive therapy. Bob's health insurance paid for 85 to 90 percent of the costs associated with his son's care. His son has progressed to the point where he is now enrolled in a regular school program. Without Bob's health insurance through LTV Steel, this never would have been possible.

The fact is that today there are several thousand steelworkers, retirees, spouses, and dependents—your constituents—who have lost their union-negotiated health care benefits through no fault of their own. Many have resorted to stretching out their prescriptions by cutting their pills in half or simply skipping a day's medication. Some of these people are dependent upon heart medication, cancer medication, diabetes medication, or other treatments in order to live.

One of the great myths about the health care benefits of steelworkers and our retirees is that they have so-called "Cadillac" benefits and that they pay little or nothing for their health care. This is simply not true. Benefits to steel industry workers and retirees are equivalent and, in some cases, more modest, than benefits provided to retirees from other basic manufacturing companies such as Alcoa, Boeing, and General Motors. These plans typically include cost containment provisions, such as deductibles, co-payments, pre-certification requirements, coordination with Medicare, and incentives to utilize managed care. Most of our retirees pay monthly premiums from 25 to 40 percent of their retiree health care benefits, plus several hundred dollars a year in deductibles and co-payments. Retiree premiums for major medical coverage vary by employer due to differences in demographics, regional health care costs, utilization, and design of the plan. The United Steelworkers of America estimates that the average major medical premium during 2001 was approximately $200 per month for a non-Medicare eligible couple and $150 a month for a Medicare-eligible couple.

American steel's international competitors do not bear a similar burden. In one form or another, foreign steel producers' retiree health care costs are offset by government subsidies. In Japan, the government provides government-backed insurance programs. Government subsidies cover some administrative costs and contributions to Japan's health care programs for the elderly. In the United Kingdom, the UK's National Health Service is 85 to 95 percent funded from general taxation with the remainder coming from employer and employee contributions. In Germany, health care is financed through a combination of payroll taxes, local, state, and federal taxes, co-payments, and out-of-pocket expenses, along with private insurance. Insurance funds with heavy loads of retired members receive government subsidies. In Russia, de facto government subsidies exist. While Russian steel companies theoretically pay for workers' health care, the national and local governments allow companies not to pay their bills—including taxes and even wages. At the end of 1998, Russian steel companies owed an estimated $836 million in taxes. According to the Commerce Department's report on the steel industry, the Russian governments' systematic failure to force large enterprises to pay these taxes and wages amounts to a massive subsidy.

The U.S. is the only country in the industrial world in which the health care benefits of retirees are not assumed by government to facilitate consolidation in one form or another. It is now very clear that American steelworker retirees stand to be hit twice by the collapse of the steel industry since a majority of them were forced into retirement (350,000—many prematurely) during the massive restructuring of the steel industry during the late 1970s and the 1980s. First, they lost their jobs before they were ready to retire, and now they may lose their health care and a significant portion of their pensions now that they are ready to retire. Our own government's inadequate enforcement of our trade laws is the principal reason that steelworkers' and steelworker retirees' health care benefits are now at risk.

Because our government has allowed this unlevel and unfair trade environment to develop and consume our industry, the government now has a responsibility to our steelworkers and retirees and to the steel industry to help craft a solution to this problem.

Why do we need H.R. 4646?

Because retirees under age 65 and older active employees who have been displaced by plant shutdowns are not yet covered by Medicare. They cannot purchase COBRA continuation coverage because companies are not obligated to provide COBRA continuation coverage when they terminate health care coverage for active employees. Steel companies which have filed for Chapter 7 bankruptcy (i.e., liquidation) have already moved to terminate health care plans for their workers and retirees. They cannot afford COBRA premiums even when such coverage is available. They cannot afford commercially-available private health insurance. Many cannot meet insurability requirements (and may not have continuous coverage under HIPAA). Many have difficulty in finding new jobs that pay similar wages or benefits.

One bright spot in an otherwise gloomy picture is that the recently-passed Trade Adjustment Assistance (TAA) Reauthorization Act, which was included in the fast track trade authority bill, includes a provision which makes some steel industry retirees eligible for a 65 percent tax credit for the purchase of health care. The new provision applies to persons between the ages of 55 and 65 who are not yet eligible for Medicare.

So why do we still need H.R. 4646?

Because Medicare has significant gaps in its coverage. Medicare also has significant deductibles and co-payments. As of today, there is no coverage for expensive outpatient prescription drugs. Also, health care providers often do not accept Medicare reimbursement rates as full payment, at which point they go after the retiree for full payment. Medicare Supplemental Insurance ("Medigap") is available, but it is costly and has limited prescription drug coverage. The most comprehensive of the Medigap supplements (Plan J) covers only 50 percent of prescription drug costs and limits drug benefits to $3,000 per year. The average steelworker retiree receives a monthly pension benefit of less than $600 to $700 per month. Most surviving spouses receive monthly benefits under $200 per month. Finally, HMOs (or as they are sometimes referred to "Medicare+Choice") are available only in limited areas of the nation.

Under H.R. 4646, the federal government would create and support a program of health insurance for the retirees of steel, iron ore, and coke companies. Once enrolled in the program, retirees and their beneficiaries will receive major medical and prescription drug coverage. The primary aim of this bill is, of course, to secure continued health care coverage for several hundred thousand steel industry retirees who have or will soon lose all retiree benefits. But secondly, the bill aims to strengthen the steel industry by removing the weight of health care "legacy costs" which are an impediment to the consolidation of the steel industry.

H.R. 4646 would be financed from the three years of tariffs on steel imports announced earlier this year by the President in the Section 201 proceeding. Additionally, companies with VEBA (Voluntary Employee Benefit Association) assets that wish to participate would be required to transfer VEBA assets into the trust fund. A $5 per ton of products shipped surcharge ensures that the surviving companies standing to benefit from legacy cost relief also play a part in solving this problem. Finally, the general treasury would provide additional sums which might be necessary for the administration of this program.

The Steel Industry Legacy Relief Act of 2002 rests on two fundamental assumptions: that a trade crisis should not be allowed to completely ruin the retirement of an entire generation of steelworkers; and that it is in our national security interest for the United States to have a strong steel industry for years to come.

In announcing his decision to provide relief under Section 201 to the steel industry, the President deferred going on further to address the urgent issue of steel industry legacy costs. The Administration has made it clear that it believes this is a matter which must be determined by Congress. That is why the United Steelworkers of America is working with our friends in Congress to pass this much-needed legislation. We applaud the authors of the bill, Representatives Dingell and LaHood, and the 175 members of the House who are currently cosponsoring this legislation. We will work relentlessly with both the House and Senate until this problem is solved and until our steel industry retirees receive the health care coverage which they deserve.

Thank you.

Mr. STEARNS. Thank you.

Mr. Broderick.

STATEMENT OF THOMAS J. BRODERICK

Mr. BRODERICK. Thank you, Mr. Chairman, and members of the subcommittee. I am pleased to have the opportunity to testify in support of the Steel Industry Relief Act of 2002.

The legislative proposal provided in H.R. 4646 will go a long way in providing a comprehensive solution to the steel industry's health care legacy problem. The domestic steel industry is suffering under devastating economic conditions. These conditions are a direct result of severe injury caused by an extraordinary volume of disruptive and unfairly traded imports that have inundated our shores since the 1970's.

The surge of these imports that began in 1997 has forced about 35 domestic steel companies, including Bethlehem, into bankruptcy. In response to overwhelming evidence of the injury done to the domestic steel industry by imported steel, the ITC recommended, and in March President Bush implemented, safeguard tariffs on most flat carbon steel products.

The effective implementation and enforcement of the President's safeguard tariffs is essential to the recovery of the domestic steel industry, but this by itself is not enough. Equally necessary is an adequate Federal Government assistance in solving the legacy problem.

It is recognized that the steel industry must consolidate and rationalize facilities in order to improve its competitiveness and regain its global leadership position. Such action would not be new for Bethlehem or indeed the domestic industry as a whole.

Unfortunately, one of the major and unavoidable consequences of our efforts—the efforts of such companies as Bethlehem, is the reduction in the number of employees that are supporting our retirees. To date the consolidation and rationalization have reduced the number of Bethlehem employees from almost 90,000 people in 1980 to approximately 13,000 today.

Currently Bethlehem provides health care coverage for about 125,000 people, including about 95,000 retiree beneficiaries. That means, for each active employee, Bethlehem provides health care coverage to more than seven retirees. By comparison, there are currently only—there are three wage earners for each Medicare beneficiary. In other words, Bethlehem's situation is 20 times worse than that of Medicare.

In 2001, Bethlehem's total costs for health care and other insurance amounted to $300 million. We expect this expense to grow significantly as a result of prescription drug cost increases, as well as general health care cost inflation. The net present value of Bethlehem's legacy benefits, excluding pensions, is about $3 billion, none of which is funded.

Another aspect of the legacy problem is pension obligations, which is currently underfunded by about $2 billion. Liabilities such as these constitute a major barrier to the necessary consolidation within the industry.

Why should the government feel any responsibility to intervene on behalf of integrated producers, rather than simply allow market forces to work their will? In summary, there are three important reasons for government action.

First, foreign governments and foreign companies, not market forces, are directly responsible for much of today's problem. If we had the same level of government support for retirees as in other countries, we would compete very well indeed.

Second, the U.S. Government has played a major role in creating the current situation. Pursuing our Nation's foreign policy interests, our government has done much to promote economic growth in Russia, China, Korea and other steel exporting countries over the last decade. We do not question the merits of these policies. We only ask the question, is it fair that the steel industry and our retirees bear a disproportionate share of these national costs?

Third, the cost of meeting the health care needs and the enormous and unanticipated number of retirees and dependents is preventing normal market driven consolidation in the industry. The alternative is the bankruptcy process, which without an active government role in financing of the legacy costs, will lead to more nightmare scenarios like LTV, and result in hundreds of thousands of retirees, spouses, dependents and widows who will lose their health care coverage.

We note that the Trade Act of 2002 provides limited relief for certain retirees and their beneficiaries who lose their health care coverage due to bankruptcy. While helpful in some situations, the limited relief in the Trade Act does not fully resolve the current health care issues in the industry.

Bethlehem is committed to working with Congress to advance the solution contained in H.R. 4646. Members of the subcommittee are urged to keep in mind that Congress must act quickly. The options available to Bethlehem and other domestic steel companies are rapidly diminishing. Without prompt action, Congress will cease to have an effective opportunity to resolve this issue.

The government can and should assist the steel industry with its legacy costs. America needs a vital industry which is critical to our national security and infrastructure. There will be further consolidation in the domestic industry, and with government help this process can be fair and orderly, reduce the possibility of massive short term job losses, and help prevent the destruction of the critical basic steel industry.

Thank you, Mr. Chairman.

[The prepared statement of Thomas J. Broderick follows:]

PREPARED STATEMENT OF THOMAS J. BRODERICK, MANAGER, TOTAL HEALTH PROGRAMS, BETHLEHEM STEEL CORPORATION

Thank you, Mr. Chairman and members of the Subcommittee. I am pleased to have the opportunity to address the Subcommittee on the importance of Congressional help in solving the legacy problem in the domestic steel industry. The legislative solution provided in HR 4646, the Steel Industry Legacy Relief Act of 2002, is most urgently needed and upon enactment would represent an essential step in the steel industry's efforts to consolidate and restructure.

Bethlehem Steel is the second largest integrated steel manufacturer in the United States and has been in business since 1904. Our principal facilities are located in Sparrows Point, Maryland; Burns Harbor, Indiana; and Steelton, Conshohocken and Coatesville, Pennsylvania. Our products include flat rolled products—including hot-rolled, cold-rolled, coated, plate and tin products as well as rails.

The domestic steel industry continues to suffer from the severe injury caused by the extraordinary volume of disruptive and unfairly traded imports that have been inundating our shores since the 1970s. The most recent surge of imports that began in late 1997 has forced some 35 domestic steel companies, including Bethlehem, to declare bankruptcy. As documented by the findings of the U.S. International Trade Commission (ITC) and the U.S. Department of Commerce, this imported steel has resulted in massive and pervasive injury to the domestic steel industry. This massive flow of foreign steel is the direct result of excess foreign steelmaking capacity—more than 250 million metric tons—that has been created and maintained through market distorting practices, such as closed markets, government subsidies, cartels, and other market protection policies.

In response to overwhelming evidence of the injury done to the domestic steel industry by imported steel, the ITC recommended, and in March President Bush implemented under section 201 of the Trade Act of 1974, safeguard tariffs on most flat carbon steel products. These tariffs, which range up to 30 percent, were designed to give the domestic steel industry temporary breathing room to rationalize and restructure its operations in order to compete more effectively in response to these circumstances. We are grateful to the Administration for recognizing the domestic steel industry as a basic building block of our domestic economy and critical to our national security. We likewise appreciate the efforts to bring about this decision by a number of members on the Subcommittee, other members of the House of Representatives, as well as the efforts by members of the Senate.

The effective implementation and enforcement of the President's safeguard tariffs, with limited exclusions, is essential to the recovery of the domestic steel industry, but even this by itself is not enough. Equally necessary is federal government assistance in solving the "legacy' problem, which we define as benefits for retirees and their dependents. Many of these retirees lost their jobs as a result of restructuring driven by unfair trade.

It is recognized that the steel industry must consolidate and rationalize facilities in order to improve its competitiveness and regain its global leadership position. Such action would not be new for Bethlehem or, indeed, the domestic industry as a whole. Bethlehem has a record of taking action to consolidate and eliminate non-competitive facilities. Since the early 1980s, significant consolidation and rationalization has taken place—Bethlehem has sold or closed a number of operations including: the Bethlehem, Johnstown, and Williamsport, Pennsylvania plants; most of the Lackawanna, New York plant; shipbuilding and ship repair businesses; coal and limestone operations; fasteners; fabricating works and coke ovens. Just last week, we announced the permanent closure of our pipe mill in Steelton, PA. The most recent consolidation efforts include our merger with Lukens in 1998—a major step in consolidation and rationalization. As a result of merging these two companies, our plate mill at Sparrows Point, Maryland was shut down.

Unfortunately, one of the major and unavoidable consequences of the efforts of companies such as Bethlehem to respond to changes in the marketplace is that our ratio of retired to active employees has risen dramatically, while the relative costs of retiree health and other non-pension benefits have risen even more dramatically. To date, consolidation and rationalization have reduced the number of Bethlehem employees from almost 90,000 people in 1980, to less than 13,000 today. And Bethlehem has reduced its steelmaking capacity from 22 million tons in the early 1980s to 11 million tons today.

Further consolidation and rationalization will continue to exacerbate the legacy cost problem. With our significantly reduced workforce of fewer than 13,000 people, Bethlehem provides health care coverage for 125,000 retirees, employees and dependents. Of these 125,000, about 95,000 are retiree beneficiaries. This means that, for each active employee, Bethlehem provides health care coverage for more than seven retiree beneficiaries. As a point of reference, Medicare has three active employees for each current beneficiary.

In 2001, Bethlehem's total cash costs for health care and other insurance amounted to $300 million, and this expense is expected to grow significantly as a result of the upward trend in prescription drug prices and usage, as well as general health care cost inflation. The net present value of Bethlehem's legacy benefits, excluding pensions, is $3 billion. Another aspect of the legacy problem is pension obligations, which currently are underfunded by $2 billion. These types of liabilities constitute the major barrier to necessary consolidation within the industry.

Even though we have downsized our capacity and modernized many facilities, these legacy obligations constitute an extraordinary burden, having a major impact on the ability of integrated producers such as Bethlehem to compete and, indeed, to survive.

As noted earlier, further consolidation and rationalization will certainly exacerbate this problem. In conformity with Section 1114 of the Bankruptcy Code, Bethlehem has requested that the Court appoint a Committee to represent the 95,000 retiree beneficiaries so that it may engage in the statutorily required dialog regarding modification of the current benefit programs.

One might ask why the government should feel any responsibility to intervene on behalf of integrated producers, rather than simply allow market forces to work their will. We have submitted for the record a document that provides extensive and compelling background on this subject, "America's Steel Crisis and the Burden of Legacy Costs." In summary, there are three important reasons for government action.

First, foreign governments, not market forces, and foreign companies, not U.S. producers, are directly responsible for much of today's problem. If comparative advantage of companies were the standard, we would compete very well indeed. American steel producers are among the most productive in the world, with 3.6 man-hours per ton of steel produced.

Second, the U.S. government has played a significant role in creating the current economic situation in which Bethlehem and other domestic integrated steel producers find themselves. We have documented in our trade cases the nonstop attack by foreign producers seeking market share in the U.S. by violating our trade laws. However, also of importance is that our government, over the last decade, has done much to promote economic growth in Russia, China, Korea and other steel-exporting countries. It is not for us to question whether the foreign policy and economic goals of these U.S. policies were wise or whether they were attained. However, it is crystal clear that many of these countries decided to focus on steel production as a major export product—exactly as Japan did in the 1950s. Thus, whatever "public benefit" were derived for the United States, those "benefits" have come at a very real cost to the domestic steel industry.

In addition, a number of Administrations, beginning with President Truman's, actively intervened during labor contract bargaining sessions. Not only did presidents call on the companies to end or avert strikes, they also pressured the companies to avoid price increases. As a result, costs for wages and benefits increased, while at the same time price improvements to cover these added expenses were strongly discouraged.

Third, the cost of meeting the health care needs of this enormous and unanticipated number of retirees and dependents is preventing normal market-driven consolidation in the industry. As a practical matter, potential buyers cannot purchase a distressed steel company because the existing retiree obligations that would have to be assumed could not be serviced while sufficient cash flow is generated to meet debt and equity interests. The alternative is the bankruptcy process, which without an active government role in the financing of legacy costs, will lead to more LTVs—and result in hundreds of thousands of retirees, widows and other beneficiaries losing health care and other retirement benefits. While the PBGC offers a partial safety net for pension benefits, there is no comparable safety net for the health care benefits that would be lost.

We note that the Trade Act of 2002, which was signed by the President in August, provides limited relief to certain retirees and their beneficiaries who lose retiree health benefits as a result of a bankruptcy. Title II of the Trade Act establishes a new section of the Internal Revenue Code that provides a 65 percent tax credit for health insurance costs of retirees whose pensions are being paid by the PBGC. The credit only applies for retirees who are at least age 55, and the tax credit ceases when the individual becomes eligible for Medicare (or certain other governmental health programs). In addition to establishing the tax credit, the Trade Act also creates a new Internal Revenue Code section 7527, which provides for a refundable credit mechanism in which the United States Treasury will make advance credit payments directly to any "provider" of qualified health insurance. We do not yet know how the mechanics of the advance payment system will work until the Treasury Department issues regulations to establish the program.

The Trade Act relief, while helpful, is not a sufficient long-term solution. Only a subset of the affected retiree population is eligible for Trade Act relief. To be eligible for the tax credit, retirees must be within the age parameters outlined above and they must be receiving benefits from a defined benefit plan that has been assumed by the PBGC. No relief is provided for retirees who are not covered by a PBGC plan or who lose their jobs or their health benefits before retirement or age 55. In addition, the Act does nothing to address the prescription drug needs of the Medicare eligible retirees. The Trade Act relief also requires that retirees purchase their own health insurance, which would require most retirees to purchase whatever individual policy might be available in the retiree's state or to elect continuation coverage (usually referred to as "COBRA coverage") from their former employer. COBRA coverage charges may be as much as 102 percent of the premium cost and may be well beyond the means of many retirees. Thus, while helpful in some situations, the limited relief in the Trade Act does not resolve the current retiree health issues for our industry.

The current high ratio of retirees to active workers was not something Bethlehem or other affected companies could have reasonably anticipated. As a result of protracted adverse impacts on our financial condition, Bethlehem cannot develop a satisfactory long-term solution without federal assistance. Trade relief alone will not be sufficient to reverse the current situation. Additional federal assistance is appropriate since the industry's financial problems have been created largely by foreign governments, foreign companies and federal government policies over time.

There is an additional consideration that is relevant to this discussion: steel is critical to our national security, and it would not be in the best interests of our nation to be fully reliant on imported steel during a crisis. Steel is used not only in the construction of ships, tanks and other military applications, but is critical to our infrastructure—highways, seaports, airports and the delivery of major forms of energy—which also are vital to national security. Integrated producers, including Bethlehem, provide the highest quality steel for special applications. In fact, Bethlehem is the only domestic company with the capability to provide the special steel plate that was required to repair the USS Cole.

The Steel Industry Legacy Relief Act of 2002, HR 4646, provides a specific legislative solution to this catastrophic health care legacy problem and is more comprehensive in its solution than the provisions provided in the Trade Act of 2002. H.R.4646 provides a safety net, similar to that provided for pensions by the PBGC, for steel industry retirees that have or will lose their company provided health insurance benefits. The bill allows for a number of qualifying events under which retirees could become eligible to receive major medical and prescription drug coverage. The bill offers numerous helpful provisions, centering on the creation of, and support for, an effective program of health care coverage for steel, iron ore, and coke company retirees.

Congressman Visclosky deserves special commendation for his work with the United Steelworkers of America and major steel producers, including Bethlehem, to craft this legislation—legislation that is passable and is comparable to legislation which has been introduced by Senator Rockefeller.

The bill seeks to achieve two critical objectives: solving the legacy cost problem facing American steel and steel related producers; and enabling market forces to move the industry to effective consolidation and restructuring by removing a major obstacle to that process. The results should be a significantly strengthened steel industry. Members of the Subcommittee need to keep in mind that Congress must act quickly. The options available to Bethlehem and other domestic steel companies are rapidly diminishing. Without prompt action, Congress will cease to have any effective opportunity to help with the resolution of this issue.

To summarize: the recovery of the steel industry is dependent on the President's steel program. The first element of that program, temporarily preventing imports from continuing to injure the U.S. industry, has now been put in place. It must be noted that we have serious concerns with a number of the exclusions to the 201 remedy that have been issued to date by the Administration. Continued erosion of the remedy by additional exclusions for products that can be made in this country will further undermine the effectiveness of the 201 remedy. Two other elements—negotiations to reduce foreign over-capacity and negotiations to eliminate foreign market distorting practices—are being addressed. The final element—assisting with the major burden of legacy costs—has yet to be fully addressed, and unless it is fully addressed, the other parts of the program will not be adequate. As a result of large-scale restructuring in the 1980s, the domestic integrated industry faces a crippling problem with health care related legacy costs. Generally, our foreign competition does not have this problem. Most of our principal international competitors do not bear a burden for employee and retiree health costs remotely comparable to that which currently confronts the domestic steel industry.

This inequity needs to be addressed. The government can and should assist the industry in dealing with legacy costs. America needs a viable steel industry. There will be further consolidation in the domestic industry, and with governmental help this process can be fair and orderly, reduce the possibility of massive job losses over short periods of time, and help prevent the destruction of a critical basic industry.

Mr. STEARNS. Thank you.

Now, Mr. Collins, welcome.

STATEMENT OF JAMES F. COLLINS

Mr. COLLINS. Thank you, Mr. Chairman. I am here on behalf of the Steel Manufacturers Association, 44 electric furnace steel companies that produce almost half the steel made in the United States.

I have been involved in steel trade policy matters for about 33 years, starting as a government official working with Tony Solomon, and with the strong leadership of Wilbur Mills we negotiated the first voluntary restraint agreement back in 1969. So I know something about the steel trade problem.

Our domestic member companies, who, I emphasize, account for almost half the steel made in this country, strongly oppose the enactment of H.R. 4646 for the following reasons. One, the SMA and its members have long advocated that some retraining and health protection should be provided to steelworkers in transition due to permanent plant closures. This position has not changed. It applies strictly to closures, including those necessary to facilitate industry consolidation. It should be available only for a limited period of time until workers are retrained and reemployed or reach age 65 and are eligible for Medicare.

In contrast, H.R. 4646 covers an entire decade and is estimated by the Congressional Research Service in an August 2002 report to cost $4-$12 billion, depending upon the outcome.

Two, additionally, it has been, and continues to be, our position that pension and health commitments made by steel companies still in operation should remain the responsibility of those companies rather than, we emphasize, the responsibility of U.S. taxpayers.

There's been a lot of controversy over the request of some integrated steel companies that government assistance, using funds from tariffs or small contributions per ton, be given to those steel companies who are burdened by so called legacy costs. First, as a matter of principle, if the proceeds of tariffs are to be distributed to steel companies, they should be distributed to all companies found injured by imports, whether or not those companies have legacy costs.

Further, the idea of all taxpayers paying for legacy costs, whether from funds from tariffs or general revenues, could well set an inappropriate precedent and result in many industries looking for similar assistance.

Legacy costs are generally understood by the steel industry to comprise two major components, unfunded pension liabilities and retiree medical benefits. With respect to the retiree medical benefits component, these are not normally prefunded as pensions were supposed to be, but paid out of ongoing revenues.

As you know, all Americans except for government employees, I guess, are eligible for coverage under Medicare. The failure of some steel companies to provide legacy retirees medical benefits does not mean that the retirees eligible for Medicare will be deprived of medical care. IT only means that, rather than receive medical treatment paid 100 percent by their employers, they will have available the more modest programs available under Medicare which most retired Americans, including me, rely on.

Should the U.S. Government pick up the cost of a new steel plan comparable to government employee health coverage, it would be opening another area of opportunity for those who negotiate expensive medical plans to expect the government to backstop weak employers who do not ultimately pay their contractual obligations.

In summary, government subsidies to some failing steel companies are an unacceptable public policy approach. Here are the principal reasons: Use of U.S. Government funds to subsidize a few steel companies who promised more than they could deliver at the expense of a majority of steel companies who neither need nor want such relief alters market based terms of competition and rewards with public funds the least efficient U.S. steel producers. Subsidies to selected companies will be a major impediment to the successful adjustment and rationalization of the industry.

The root cause of problems in the world's steel industry is overcapacity. This has been recognized in recent negotiations among OECD members, and underlies the administration's strategy for industry relief under the current Section 201 program. The implementation of such subsidies would defer any possibility of meaningful capacity reduction worldwide, sustaining the inefficient companies at the heart the global problem.

Foreign steel interests, traders, and opponents of industry trade relief support U.S. legacy cost relief strongly as an alternative to legitimate trade relief. A U.S. steel market recovering from predatory imports through an effective trade remedy will increase the ability of all steel companies to meet their financial obligations, but a major subsidy program for a few troubled steel companies could undermine effective relief for the entire industry, if policy officials make it a substitute for truly effective trade relief for the entire industry.

The U.S. Government is undertaking an effort with other governments to establish a program to reduce excess inefficient steelmaking capacity worldwide. All agree this is the root cause of the trade problem. How can the U.S. Government provide subsidies to maintain its own least efficient steel producers while simultaneously urging the reduction of uneconomic capacity in many other countries? The answer is it cannot.

There is a vital difference between subsidizing the balance sheets of a few steel companies by paying their legacy costs with a new government long term program and the provision by the government of a temporary health care safety net for retired workers who have lost protection but who are not yet eligible for Medicare when facilities permanently exit the business.

The SMA member companies support a program of focused assistance directly to workers in these instances, so long as the closed capacity is permanently eliminated.

Thank you, Mr. Chairman.

[The prepared statement of James F. Collins follows:]

PREPARED STATEMENT OF JAMES F. COLLINS ON BEHALF OF THE STEEL MANUFACTURERS ASSOCIATION

I am James Collins, former president of the Steel Manufacturers Association (SMA), and currently a consultant to that organization on international trade and economic policy matters. The SMA consists of 44 North American steel producers whose US members account for almost one half of the steel produced in the United States.

Our domestic member companies strongly oppose the enactment of HR 4646 for the following reasons:

1. The SMA and its members have long advocated that some retraining and health protection should be provided to *steelworkers* in transition due to permanent plant closures. This position has not changed. It applies strictly to closures, including those necessary to facilitate industry consolidation. But it should be available only for a limited period of time until workers are retrained and reemployed. In contrast, HR 4646 covers an entire decade and is estimated by CRS (August 02 report) to cost $4 to $12 billion.

2. Additionally, it has been, and continues to be our position that pension and health commitments made by steel companies still in operation should remain the responsibility of those companies rather than, we emphasize, the responsibility of US taxpayers.

Legacy Issues

There has been much controversy over the request by some integrated steel companies that government assistance (possibly using funds from any tariff levied as a result of the 201) be given to those steel companies who are burdened by so-called "legacy" costs. First, as a matter of principle, if the proceeds of tariffs are to be distributed to steel companies, they should be distributed to all companies found injured by imports whether or not those companies have "legacy" costs. Further, the idea of all taxpayers paying for "legacy" costs, whether from the funds from tariffs or general revenues, could well set an inappropriate precedent and result in many industries looking for similar assistance.

"Legacy" costs, as generally understood by the steel industry, comprise two major components: unfunded pension liabilities; and retiree medical benefits.

With respect to the retiree medical benefits component, these are not normally prefunded (as pensions were supposed to be) but paid out of ongoing revenues. As you know all Americans are eligible for coverage under Medicare and the failure of some steel companies to provide the "legacy" retirees medical benefits does not mean that the retirees eligible for Medicare will be deprived of medical care. It only means that rather than receive medical treatment paid 100 percent by their employer they will have available the more modest programs available under Medicare which most retired Americans rely on. Should the US Government pick up the cost of a new steel plan comparable to government employee health coverage, it would be opening another area of opportunity for unions who could negotiate expensive medical plans expecting government to backstop weak employers who do not ultimately pay their contractual obligations.

In summary:

Government subsidies to some failing steel companies are an unacceptable public policy approach. Here are the principal reasons:

- Use of US Government funds to subsidize a few steel companies who promised more than they could deliver, at the expense of the majority of steel companies who neither need nor want such relief, alters market-based terms of competition and rewards with public funds the least efficient US steel producers.
- Subsidies to selected steel companies will be a major impediment to the successful adjustment and rationalization of the industry. The root cause of problems in the world steel industry is overcapacity. This has been recognized in recent negotiations among OECD members and underlies the Administration's strategy for industry relief under the current Section 201 program. The implementation of such subsidies would undermine any possibility of meaningful capacity reduction worldwide, sustaining the inefficient companies at the heart of the global problem.
- Foreign steel interests, traders, and opponents of industry trade relief support US legacy cost relief as an alternative to legitimate trade relief.
- A US steel market recovering from predatory imports through an effective trade remedy will increase the ability of all steel companies to meet their financial obligations. But a major subsidy program for a few troubled steel companies could undermine effective relief for the entire industry, if policy officials make it a substitute for truly effective trade relief for the entire industry.

- The US Government is undertaking an effort with other governments to establish a program to reduce excess, inefficient steel-making capacity, worldwide. All agree this is the root cause of the world steel trade problem. How can the US Government provide subsidies to maintain its own least efficient steel producers, while simultaneously urging the reduction of uneconomic capacity in many other countries? The answer is it cannot.
- There is a vital difference between subsidizing the balance sheets of a few steel companies by paying their legacy costs with a new government long term program, and the provision by the Government of a temporary health care safety net for retired workers who have lost protection but who are not yet eligible for Medicare, when facilities permanently exit the business. The SMA companies support a program of focused assistance directly to workers in these instances, so long as the closed capacity is permanently eliminated.

Direct subsidies to a few US steel companies will deter the successful adjustment of the American steel industry. That adjustment will best be achieved by a substantial reduction in the 250 million tons of excess steel capacity that exists worldwide, and also through a more effective 201 trade remedy that avoids further weakening by exclusions. The danger of granting a few companies a Government bailout to fund their private obligations must be avoided, if the Administration is to achieve a truly effective solution to the global steel problem.

Mr. STEARNS. Thank you.

Thank you. Well, when you come to a hearing like this and you try to be balanced and try to understand it, but we do have, obviously, two witnesses who are on one side and one witness on the other. Mr. Collins, you represent the mini-mills, as I understand it.

Mr. COLLINS. Right.

Mr. STEARNS. Let's take the first assumption, that having the ability to manufacture steel in this country is important to our national security. Would all three of you agree with that?

Mr. COLLINS. Absolutely.

Mr. STEARNS. Absolutely? Okay. So if we start with that premise, let's work down. Now if that is true, then you could take the next step, that the United States government should take steps to protect its industry so it is viable for national security.

So if we take Mr. Klinefelter's three ways to solve this problem, control imports, legacy costs, particularly health care, and management and labor working together for union, of those three, Mr. Collins, you mentioned control imports you agree with.

Mr. COLLINS. Well, there are others, too, Mr. Chairman. Certainly, the U.S. has been the most open steel market in the world for 30 years, and everyone knows that, and it has been a dumping ground for steel.

Mr. STEARNS. So now the President went ahead and instituted tariffs on imports, which you agree with?

Mr. COLLINS. Yes.

Mr. STEARNS. Okay. So the President has tried to help out in respect to Mr. Klinefelter's first point of controlling imports.

The second one is really pretty much what Mr. Dingell's legislation is about in dealing with the legacy costs, and the third we can't, as a Congress, have anything to do with, which is namely the labor-management issue which you have to work out.

The question dealing with legacy costs—let me ask Mr. Klinefelter and Mr. Broderick. This funding mechanism as proposed, when I look through it, is there any way to measure exactly how much money will be needed from the Federal Government? For example, there's not a cap, and I guess a lot of us are trying to understand what is the extent of our liability for this. That is the first question.

The second question is: Most of my constituents are on Medicare. What is wrong with having steelworkers go on Medicare, much like the rest of the country? Now you could argue, well, there is no prescription drug benefit for people on Medicare like there is perhaps under the union plan, but I would submit that maybe some compromised language could work out to get this bill moving is that those people that are in retirement could be on Medicare, and that might save some dollars for this third legacy cost.

In that respect, Mr. Collins mentioned that the health care plan that unions had would be quite a bit improved over what the majority of Americans have. So the two questions I have for you is: Should there be a cap on this, an understanding of it; and second of all, is it possible that the industry, the big steel companies, could accept the idea that their employees could be under Medicare like most of the rest of Americans?

Mr. BRODERICK. Well, the issue of the cap—you know, I am sure something can be worked out regarding cap. But I think the issue of funding of Medicare—a lot of our retirees, first of all, are not eligible for Medicare.

Mr. STEARNS. And is that because they are retiring much younger?

Mr. BRODERICK. They were removed from jobs because of illegal imports at an earlier age, between the age of, say, 55 and 65, and those individuals—you cannot find insurance in the marketplace that is affordable. We've looked around, I know, in some areas. You can pay as much as $12,000 a year for insurance. That's if you can get it, because the marketplace will typically put preexisting conditions on those policies, and when you have a preexisting condition, I don't think you can find an American that's 55 years and older that does not have a preexisting condition on health care.

The issue of prescription drugs and Medicare—I don't think you can find a senior as well in this country that would agree that—that would disagree that Medicare should have a prescription drug benefit, and we have supported those types of legislation efforts going forward.

No one in their right mind would design a health care program today with a prescription drug benefit missing.

Mr. STEARNS. What is the idea of putting—what is wrong with trying to sort of put a cap or some kind of—try to identify what this liability is so that the taxpayers, before they went into something like this, would know what their outside liability is going to be?

Mr. BRODERICK. I think, if you work with the companies and the union, I think a population can be identified and defined, and the actuaries, I am sure, could come up with a number that would be meaningful, that would give the taxpayers an idea of exactly what the net obligation would be.

Mr. STEARNS. If we agree that steel manufacture is national security, then people would say, okay, why don't you give us also health care for the industries that are having problems like the airline industry. A few of them have gone into bankruptcy, automotive industries. There's a broad group of industries.

So your argument would be, because this industry is required for national security, that the Federal Government should step in and provide this legacy cost. Would that be the——

Mr. KLINEFELTER. No.

Mr. STEARNS. That would not be the strength of your argument?

Mr. KLINEFELTER. No. I think that the basic fundamental reason that we asked for this is because of what has happened to the industry is so unique. Through no fault of its own, it's been battered by these imports, which continues to all of these companies.

Mr. STEARNS. But if we ratchet up and prevent that dumping, it's just too late, and we've got to go back and rectify the problem?

Mr. KLINEFELTER. Well, if we want stability in the industry, if we want this problem to go away, like I said, I think we have to do three things in order to make that happen, and all three things need to be done. One role is a Congressional role, and that is the passage of some kind of legacy costs legislation.

I think what everyone would like to do is have a consolidated steel industry, integrated steel industry, which I think we need. You know, mini-mills are wonderful, but we need the capability from a strategic point of view to be able to make steel from beginning to end. So we need some of that capacity, and we want to stabilize that industry.

Mr. STEARNS. My question time is over but, Mr. Collins, is there anything you want to add after hearing Mr. Klinefelter?

Mr. COLLINS. Yes. We agree that the steel industry of the future, in terms of national economic security, should consist of integrated producers and mini-mill producers. However, we don't understand why the market can't work and a company that goes into Chapter 7, like LTV, has plants that are savable, that are resuscitated and put back to work, will not contribute to that national security, economic security. They will.

The only question is whether the U.S. taxpayer should pay for a cost that the companies and the union had negotiated with each other, and presumably in good faith that they should—as long as they stay in business, that they should retain the obligation to pay. There is no reason to expect the U.S. taxpayer to assume that burden, a burden of billions of dollars. But that doesn't mean we don't think there isn't a national health problem.

Speaking personally, I think this country is rich enough to have a national prescription benefit program and a national health program for all its citizens, and ultimately I think that will come. But you don't single out segments of the economy, the U.S. economy, and say we are going to do this for this industry and this for that industry. You are going to have 25 industries lined up, and each time you do that, if you don't have unanimity in the industry, as you do not in the steel industry—as I said, 47 percent of the shipments of this steel community in the United States oppose this bill. They don't like to see the terms of competition changed.

They think that the managers should live up to their obligations to pay their liabilities and not the U.S. taxpayer.

Mr. KLINEFELTER. If I could——

Mr. STEARNS. Well, my time has expired. So I am sure you are going to hear from the ranking member today.

Mr. DOYLE. I assure you, you are going to get a chance to respond to that.

Mr. STEARNS. You are going to get an equal chance. I've never seen him quite so energized here. So the gentleman from Pennsylvania.

Mr. DOYLE. Thank you, Mr. Chairman. Geez, where do I start? First of all, Mr. Collins, I was listening to your remarks regarding the health care benefits, and I think you may have been referring to some of the benefits that was in Senate bill 2189, the Rockefeller bill, just for points of clarification.

Mr. KLINEFELTER. You mean the 1 year extension, Mr. Doyle?

Mr. DOYLE. Yes. H.R. 4646, as I understand it, is going to accomplish two things. There is going to be a gap insurance. You know, when workers come out and they are not yet eligible for Medicare, there will be a benefit there that will be equal to or greater than—it's going to be decided by a board—Medicare program. Then there's a prescription drug element to it that would be equal to the Federal employees' prescription drug program. Then once they turn 65, they go on Medicare.

So I don't think it is—you know, we are not talking about—as we said earlier, this is not a Cadillac plan, and it's not as generous as the plans that existed in some of the other bills that, I think—you know, a part of what you referred to was the Rockefeller bill. So just as a point of clarification.

A couple of questions, because I want to understand the mini-mills a little better. What percentage of the mini-mills are unionized?

Mr. COLLINS. I can't give you an exact answer, a precise answer, but from my——

Mr. DOYLE. I mean, roughly. I'm not going to hold you to it.

Mr. COLLINS. From my past experience, roughly half.

Mr. DOYLE. So 50 percent of these mini-mills are unionized. Do the mini-mills——

Mr. COLLINS. Maybe 40 percent.

Mr. DOYLE. Forty percent? And do they offer benefits to their employees, health care benefits, pensions?

Mr. COLLINS. Oh, yes. Yes. They all have health plans.

Mr. DOYLE. So paint a picture of a typical mini-mill worker versus an integrated mill worker in terms of salaries and benefits. I'm just trying to understand.

Mr. COLLINS. Well, the mini-mills have a team concept in the plant whereby they move from one occupation to another so that no one is tied down to a particular craft. So that that team is able to achieve a high level of productivity, if one of those workers is missing, because the others can sub for that worker.

Mr. DOYLE. How much do you pay them, and what is their benefits?

Mr. COLLINS. They are paid—I can't be precise on the pay, but the bonus system generally gives them compensation as high or higher than the United Steelworker pay.

Mr. DOYLE. So you are saying that people that work in mini-mills make the same or better wages than people who work in the integrated mills?

Mr. COLLINS. Correct.

Mr. DOYLE. Their benefits are comparable?

Mr. COLLINS. Their compensation is tied to productivity, for the most part.

Mr. DOYLE. Nucor—a mini-mill, right?

Mr. COLLINS. Right.

Mr. DOYLE. One of the biggest?

Mr. COLLINS. Now isn't it true that Nucor supported in the Senate trade debate that they didn't oppose the amendment in the Senate trade debate that would have provided health care benefits to the steelworker retirees whose companies had shut down?

Mr. COLLINS. Specifically, Nucor wrote a letter to Senator Rockefeller supporting that 1-year extension, which the mini-mills do support. They support a year of medical benefits provided to unemployed steelworkers who are not eligible for Medicare. So during the transition while they transition to other jobs, to new jobs.

Mr. DOYLE. So if you support steelworker retirees getting their benefits who have lost their jobs because of—and I think the point that needs to be made clear, too: These jobs aren't being lost because of inefficiencies or downturns in the market. We are talking about jobs that are being lost because people are cheating. Okay? Because trade laws are being violated, and before we can get these guys, 30-some mills shut down and workers lose their jobs.

Why would you support benefits for steelworkers that have lost their jobs but not benefits for people who are at risk of losing their jobs? In other words, do the mini-mills oppose consolidations of the integrated steel mills? Do you oppose them consolidating?

Mr. COLLINS. Well, I think there's some ambivalence. I think where consolidation is rational, the mini-mills would generally support that consolidation, but you just don't put two underperforming mills together and expect, by putting those two mills together, that you've got one very good mill. We've told that to the Europeans.

Mr. DOYLE. What makes——

Mr. COLLINS. Who have been boasting about their consolidations for the last 5 years.

Mr. DOYLE. What makes you think they are underperforming? Take away the illegal dumping. Take away all that.

Mr. COLLINS. Well, we can only compare it to our own production in the mini-mills, Mr. Doyle, and we find that we have 1.5 to 2 manhours per ton, unlike what Mr. Klinefelter said. They have generally about 4 to 5 manhours per ton, because they are including the mini-mill productivity in their manhours.

That gives us about $90 to $100 ton employment cost advantage. Also, we have achieved technological breakthroughs in the production of flat rolled steel that have been noted around the world. In addition, we are the largest recyclers in the world. Additionally, our btu per ton of steel produced are about 4-5 million btu, versus about 19 million for an integrated steel company per ton.

Mr. DOYLE. Okay.

Mr. DINGELL. Would the gentleman yield? On the btu's, American integrated steel mills use about the same number of btu's or less than the Europeans and the foreigners do. Isn't that true?

Mr. COLLINS. In the integrated sector, yes, sir.

Mr. DINGELL. And with regard to the difference between the way—the tons, the tons—rather, the manpower per ton, the number of worker hours per ton, for U.S. integrated steel mills is at least as good as the foreigners.

Mr. COLLINS. Absolutely.

Mr. DINGELL. Okay. Thank you.

Mr. STEARNS. The gentleman's time has expired. The gentleman from Illinois.

Mr. SHIMKUS. Thank you, Mr. Chairman. A couple of things that I want to address. On trade adjustment assistance that was passed, there was—you all heard my opening statement. Let me start in this manner. I mentioned two of my constituents who had health care concerns, because they lost it on bankruptcy of Laclede Steel in Alton, Illinois. They are actually in another Congressional district, but they reside in my Congressional district.

You also heard in the opening statement that they fell under a State insurance plan that we have gradually tried to expand in the S-CHIP, but it's really not as good of a plan as what we could do and really give them comparative health care coverage as what they had, maybe not the same but comparative.

The trade adjustment assistance was a 65 percent tax credit to help people, but when you are unemployed, even a tax credit of 65 percent is very difficult. As you all know, I am a supporter of the legislation. I'm glad Illinois has at least somewhat of a safety net for these individuals, but the concern is still ripe out there. That is again why I—just in addition to this health care debate, I throw out.

I have had a company come to me during the break, and you all know I am a supporter. I'm a co-sponsor of the bill. But I've had a company come to me from Granite City, a large steel community, historic—my grandfather worked for them—that complained that on a 50 percent increase—and this is the type of steel that's used in 55 gallon drums—that is causing them to close down their—they cannot afford to make their end product because of the increase in the cost. NESCO is the company.

We have the statistics back in the office. We didn't bring them here. I wish I would have, but I had forgotten. So there is a concern.

Now, Mr. Klinefelter, you did mention or someone in the opening statements did mention that the cost estimations of the increase after the tariffs were not credible. I don't know if you mentioned it or some other member in their opening statements. Can you address the concern by manufacturing companies who are not in the steel industry. There has been a resounding concern of the escalation of the cost, that it's not proportional to the increase in the tariff?

Mr. KLINEFELTER. Well, on what the company talked of the increase in the cost, but let me say this about that. That is, that's what the 201 is all about, in many ways.

Mr. SHIMKUS. And they don't deny that.

Mr. KLINEFELTER. It's the getting back to the prices that existed in 1997.

Mr. SHIMKUS. But that's not the question. The question is that's not proportional to the tariff. The tariff is designed to get it there. So if it's a 30 percent tariff, if there is a 50 percent increase in the cost——

Mr. KLINEFELTER. Well, I have to see—you know, I would have to see those figures to see what the factors are that go into that. You know, did these folks reduce their costs by that same proportion for their consumers?

Mr. SHIMKUS. I'm a friend, okay? I'm a co-sponsor of the bill.

Mr. KLINEFELTER. But I mean, in order to address those kind of unaddressable questions, you have to see the data.

Mr. SHIMKUS. Well, that's the questions you are going to get from a lot of members as we try to move this process forward. We need to talk about them.

Mr. KLINEFELTER. And when we have the data, we will look at it and address them.

Mr. SHIMKUS. Well, you are encouraged to come visit my office, and we can work through this. Mr. Broderick?

Mr. BRODERICK. I think, attributing anymore than 30 percent increase, the cost would be inappropriate, because that's what the tariff was. So we have not stopped imports from coming in this country. Normal market dynamics are actually starting to work in the steel industry, and some of what has actually happened is the market has tightened somewhat.

Mr. SHIMKUS. Let me ask a follow-up, and I have limited time, and I am going to have to go. But let me ask, what about the administration's recent reversal—I don't know if reversal is a great word—change in the tariff structure, which was announced, what, 3 weeks ago? Can you comment on that, and were there items that made credible sense based upon the world market or——

Mr. BRODERICK. I believe you are talking about the exemptions?

Mr. SHIMKUS. Right, the new exemption list.

Mr. BRODERICK. The unions and the companies, Congressman—a number of those exemptions, we felt, were justifiable. A lot of those exemptions, however, were not justifiable. We can make the product here in the United States. It undermines the 201 in a very subtle way that over time the 201 has less value as it covers less and less of the product that it was designed by the ITC to cover.

Mr. SHIMKUS. Anyone else want to add to that? Let me ask one final question that this manufacturing company that came in to visit me—remember, I'm an ally here. Okay?

Tell me the difference between the tariff issue and anti-dumping laws and the manufacturing business, industry, has said it would have been better to deal with anti-dumping laws versus the implementation of the tariff. Am I missing something or is it the same?

Mr. KLINEFELTER. Well, I think the fact of the matter is that for years we had gone to the anti-dumping and countervailing duty laws, and the fact of the matter is that they don't work. We get relief for a limited period of time on one kind of product and from a certain number of countries. What happens is, you know, it goes someplace else, because there is always overcapacity in the world, and it continues to come into the United States.

The 201—remember this. No illegal dumping here in the 201. Countries aren't doing anything illegal. They are just trying to destroy the American steel market. It's not illegal to try to do that, but it's legal for the United States government to stop it under our trade laws, and that's what the President said in the 201.

Mr. SHIMKUS. Had anti-dumping laws been enacted at the outside—you know, in the opening statements we're talking 20 years ago. Right? When you talked about the Asian crisis and all that other stuff, had the anti-dumping laws been enacted from Day One, would we have seen a much different market today?

Mr. KLINEFELTER. We had anti-dumping orders, and there were anti-dumping orders in place. But as I said, because they are not comprehensive and they don't cover all products, and they don't cover those products from all countries, they are inadequate to the task of stopping the imports.

Mr. SHIMKUS. All right, thank you. I yield back my time, Mr. Chairman.

Mr. STEARNS. Thank you, gentlemen. The gentleman who is the author of the bill, Mr. Dingell.

Mr. DINGELL. Mr. Chairman, thank you, and again I thank you for your kindness in holding this hearing and your patience and your courtesy to all of us.

Mr. Klinefelter, in my opening statement which was inserted into the record, and I hope everybody will read it because it is an excellent one, I included the testimony of Mr. L.L. Williams who is Executive Director of Healthcare Initiatives at General Motors.

He pointed out in his comments that the American steel industry is not the only American industry which is affected by the legacy costs. These costs disadvantage almost entirely the entire American industry, and I think this leads me to the thought that perhaps we ultimately need national health insurance to address this kind of a problem. Is that your thesis?

Mr. KLINEFELTER. Mr. Dingell, I feel like that we are the canary in the mine. We are the canary in the mine. We are here. We stick up like a sore thumb, because this problem is right upon us. But is it there for the rest of industrial America? If General Motors is 52.5 billion in legacy costs, you bet your boots it is, because Ford's got to be there, Boeing has got to be there. Caterpillar has got to be there. The rubber industry has got to be there. The aluminum industry has got to be there.

Why? Because all of those industrial industries in the United States, Mr. Dingell, realized that the health care for retirees under the current system was totally inadequate and had to be supplemented, and they took on the burden of supplementing that, pushed, of course, by the unions to do that, because they wouldn't have done it out of the goodness of their heart. But they did take that responsibility, and now they are stuck in an uncompetitive situation with our trading partners right across the board of industrial America.

Mr. DINGELL. Now further here, Mr. Klinefelter, without legacy legislation, steelworkers who lose insurance coverage will be left to join the ranks of the uninsured. Is that not so?

Mr. KLINEFELTER. That's correct.

Mr. DINGELL. And there are virtually no other options in terms of health care for these people until they reach age for Medicare. Is that right?

Mr. KLINEFELTER. That's correct.

Mr. DINGELL. All right. Now about 125,000 steelworkers and retirees lost their health insurance coverage because of this precise situation. Is that right?

Mr. KLINEFELTER. That's correct.

Mr. DINGELL. Now let's go through some of the options that exist for these people. Let's talk about COBRA. When a company like LTV or Gulf State Steel shuts down, can these retirees access COBRA coverage?

Mr. KLINEFELTER. No COBRA coverage is available to these folks. It's only available—in addition, what COBRA would be available if the company stayed in existence is only available for a limited period of time, and it's very expensive.

Mr. DINGELL. And the employees pay 102 percent of the premium out of pocket. Is that right?

Mr. KLINEFELTER. That's correct.

Mr. DINGELL. Now purchasing health care coverage in the individual insurance market—I gather this is difficult to come by, that you have tried this. Insurance companies will not offer coverage for older industrial workers. If they do, they check the employee for preexisting condition exclusions, exclude critical benefits or have unaffordable premiums. Is that a fair statement?

Mr. KLINEFELTER. That's a fair statement. One of the problems that exists for all industrial workers, and I wouldn't say it was just steelworkers but all industrial workers. There's a certain amount of exposure and hazard in what they do, and over time people get very nervous about these preexisting conditions that may exist with these workers, and they become very, very difficult in the private sector to insure.

Mr. DINGELL. Mr. Broderick, do you accord with that statement?

Mr. BRODERICK. That's correct.

Mr. DINGELL. Thank you. So, basically, what I am hearing then, gentlemen, is that without this legislation, H.R. 4646, these retired steelworkers would be left with no health insurance coverage. Is that correct?

Mr. KLINEFELTER. Correct.

Mr. DINGELL. And we now know that health insurance does not come cheap, and it is very difficult to achieve for these purposes. I believe that research has shown that middle-aged people who were continuously uninsured over a 4-year period have about 1.6 times more likely—are 1.6 times or more likely to have major health care problems, including death, than those who have maintained health care during that period. Is that right?

Mr. KLINEFELTER. Correct.

Mr. DINGELL. I would suspect that without this legacy bill, in the absence of national health insurance for the United States, there are no options for the retirees and that their health is going to suffer. Is that correct?

Mr. KLINEFELTER. That is correct.

Mr. DINGELL. And of course, we are looking at a situation where, because of the enormous overhang of these matters, which is subsidized in most instances by foreign governments, as is the production of steel, for example, in India and places like that or in the former Soviet Union, we are looking at a situation where our people neither have government subsidies for the production of steel nor do they have government subsidies for the protection of the health insurance and the health care of the employees. Is that right?

Mr. KLINEFELTER. That is correct.

Mr. DINGELL. And of course, while all this goes on, not only do we see subsidy of the foreign producers with regard to health care and with regard to production costs, but we also see predatory practices in which the government, in fact, participates both at home and with regard to the export market. Is that not true?

Mr. KLINEFELTER. That's correct.

Mr. DINGELL. Gentlemen, thank you. Thank you, Mr. Chairman. You have been very courteous.

Mr. STEARNS. Thank you.

Mr. DOYLE. Very good, Mr. Chairman.

Mr. STEARNS. The gentleman yields back. Mr. Strickland.

Mr. STRICKLAND. Yes. I want to thank you, Mr. Chairman, for this hearing. I want to thank those who have provided us with this testimony.

Mr. Collins, it seems to me that, if we do what you suggest, that will mean that there will be large numbers of steelworker retirees that will be without health insurance. Do you think that is a fair conclusion?

Mr. COLLINS. I'm not sure about that. I don't know how many employees there are between 55 and 65, but presumably some of those unemployed steelworkers will rehired in other jobs and get medical coverage. How many, I don't know.

Mr. STRICKLAND. Mr. Collins, you certainly don't know much about the district that I represent, because we have exceedingly high levels of unemployment. We've got hundreds and hundreds of coal miners who have lost their jobs, hundreds and hundreds of steelworkers who have lost their jobs, and an economically depressed area. I don't know where these people are going to get jobs that are going to be jobs that provide health care coverage.

So I mean, you've got a perfect right to your point of view, but I think it is important to point out that, if we follow your suggestion, that there are going to be many, many individuals who, through no fault of their own, are going to find themselves in this terrible situation where they are without health insurance. They are sick. They cannot afford to pay for the health care they need.

Maybe that is the kind of country we are and that we are willing to accept that kind of human tragedy, but it seems to me that we've got a responsibility to try to prevent that from happening. And I understand that you are not responsible for it, but we've heard the testimony from Mr. Klinefelter and others.

Mr. Klinefelter laid out the history of the conditions that have led us to where we are today, and it seems to me that there have been so many failures on the part of this government that we've got a responsibility now. Maybe we should have taken actions earlier, but we failed to do so. We have to deal with the present, and it seems to me that we have to deal with the situation we have.

I would just like to point out two things that are beyond the scope of this legacy bill, which could help not just steel companies, but it could help the textile industry. It could help the agricultural industry, if we would take action. That is to have a comprehensive

Medicare benefit that is available to every eligible senior citizen in this country.

We ought to do that, and to also pass the Hatch-Waxman reform bill dealing with the exclusive rights of pharmaceutical companies to abuse, in my judgment, the patent protections they have.

Would you say that those two actions, if we were to take them here at the Federal level, would not only help the steel industry but would be good for all other industries in this country?

Mr. COLLINS. I think you've got your finger on the problem. This is a national problem. You don't solve a national problem by providing a subsidy to one-half of the American steel industry. The American steel industry has been complaining about subsidies accorded foreign steel industries around the world for the last 35 years. Suddenly, the United States government provides a $4-12 billion subsidy—in this case it's a health care subsidy—to its own steel companies, and then tries to go internationally to reduce capacity and to eliminate subsidies worldwide in the steel industry.

It doesn't make sense, but there is a national problem, and as I said, my personal view is that this country is rich enough to have a national prescription drug program for everybody and a national health care program for everybody.

Mr. STRICKLAND. And I think we all agree. Mr. Klinefelter, would you agree that we need those two things?

Mr. KLINEFELTER. Yes, I would.

Mr. STRICKLAND. But the fact is that Mr. Klinefelter has laid out the particular circumstances that have impacted the steel industry and the lack of appropriate action on the part of this government for a long period of time. Just as we decided to take special action to help the airline industry at a point in time, it seems to me that this is a particular industry with a particular set of historical circumstances with the particular need, with the particular relevance to our national security that gives us more than adequate justification for taking action which is directed toward a particular industry.

That does not relieve us of the responsibility of dealing with all the other workers and all the other industries in this country, and I hope to God that we have the courage to do that. But in the meantime, it seems that we need to take this particular action.

I want to thank you, Mr. Collins. You have been forthcoming. You have shared your point of view, and I think we have heard it, but in my judgment, the arguments of Mr. Klinefelter and Mr. Broderick outweigh the concerns, perhaps even the legitimate concerns, you have raised here.

Thank you, Mr. Chairman.

Mr. STEARNS. I thank my colleague, and we have to go for three votes. So we are going to adjourn the Subcommittee on Commerce, Trade, and Consumer Protection, and thank all of you witnesses. Is there one thing you wanted to add, Mr. Klinefelter?

Mr. KLINEFELTER. Yes, just if you would indulge me, Mr. Chairman. A lot of people have driven a lot of distance behind me from Ohio, Indiana, Illinois, West Virginia, Pennsylvania.

Mr. STEARNS. Do you want to recognize them?

Mr. KLINEFELTER. If the steelworkers who are here could stand up?

Mr. STEARNS. Why don't all you steelworkers do that, and let's give them a round of applause.

Mr. KLINEFELTER. Once again, Mr. Chairman, thank you very much for this hearing.

Mr. STEARNS. We are delighted, and we want to thank all of you for participating and taking your time to come down here, and we appreciate your participation.

Mr. COLLINS. Mr. Chairman, could I also put on the record that we want to thank the House steel caucus for its unfailing leadership on the steel trade problem over the last 30 years.

Mr. STEARNS. So noted.

Mr. COLLINS. And also Mr. Dingell for blocking an Energy Department release of irradiated scrap that would have inundated the American mini-mill industry. Thank you.

Mr. STEARNS. So noted, and the subcommittee is adjourned.

[Whereupon, at 12:47 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows:]

PREPARED STATEMENT OF HON. PHIL ENGLISH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

I would like to thank the Subcommittee for holding a hearing on the critical issue of steel industry legacy costs. It is my pleasure to present testimony before the subcommittee on this issue.

Although today's hearing only examines H.R. 4646, The Steel Industry Legacy Relief Act, I would like to present the subcommittee with another approach to dealing with the legacy cost dilemma. I am pleased to be able to present this testimony in lieu of a hearing examining both legacy cost bills currently introduced in the House: H.R. 4646 as well as my bill, H.R. 4574, The Steel Industry Legacy Relief and Transition Act.

As the short title of H.R. 4574 suggests, it seeks to accomplish more than a financial bailout of the domestic industry's responsibility as a result of legacy costs. It actively seeks to consolidate and rationalize the domestic industry through incentives and regulatory alterations: the only realistic method to ensure its long-term viability and health.

The domestic steel industry has significant unfunded pension liabilities as well as massive retiree health care responsibilities that total $13 billion and cost the steel industry almost $1 billion annually. These pension and health care liabilities pose a significant barrier to steel industry consolidation and rationalization: barriers that could improve the financial condition of the industry and reduce the adverse impact of unfairly traded foreign imports.

There are several reasons for Congress to act. Our trading partners do not face these seemingly insurmountable obstacles to consolidation, as their governments pick up the tab for health and pension costs through socialized medicine and state run pension schemes. Additionally, our trading partners consistently engage in protectionist and trade distorting practices in the area of steel: further insulating their domestic steel industries. Without these major obstacles to consolidation, steel companies in foreign countries are forming mega steel companies which will only place U.S. steel companies at a more serious competitive disadvantage in relation to their global competitors. For example, in the European Union, ARBED, its partner ACERALIA and UNISOR are combining into a new company. This will create an enormous steel company with an annual production capacity of 46 million tons. This new firm would have almost three times the capacity of the largest U.S. mill.

Time is a major factor for the domestic steel industry, however, as the safeguard remedy which the President implemented in March is not permanent. Consolidation must occur during the window of relief offered by the safeguard action. This brief window will last less than three years from today, maybe much less.

Working to alleviate the legacy cost burden complements the ongoing efforts by the Administration to level the playing field for steel: Section 201 relief to provide breathing room for restructuring and consolidation and ongoing high-level talks at the OECD to reduce overcapacity and market-distorting trade practices in steel world-wide. The Administration's efforts will have a far greater effect if, through removing the largest barrier to domestic consolidation and rationalization, America's steel industry is able to continue to lead by example.

Congress has the ability to encourage consolidation and rationalization by providing legacy relief only to those steelmakers who actively acquire or rationalize. It is also important to keep in mind that much damage has already been done to the steel industry and that the retirees, surviving spouses and their dependants should not be left in the lurch. That is why under H.R. 4574 the federal government would assume the health care obligations for retirees of steel companies that close.

A summary of H.R. 4574's major provisions:

- This legislation provides for federal assumption of certain steel retiree health care obligations that might otherwise prevent or reduce needed capacity reduction and rationalization in the U.S. steel industry, or which occur as a result of capacity reduction.
- Federal assistance would be triggered in three situations: when all or substantially all of one U.S. steel company is acquired by another domestic steel company; when production capacity is reduced within 5 years of such an acquisition; and, when a U.S. steel company closes.
- *Acquisition.* Health care obligations and assets for retirees would be assumed by the federal government. Pension obligations would be subject to current laws under ERISA.
- *Rationalization.* If an acquiring company reduces production capacity within 5 years of an acquisition, the federal government would assume the retiree health care assets and obligations for employees of the acquiring and acquired companies who leave their jobs in connection with the reduction. Pension obligations would be subject to current laws under ERISA.
- *Closing.* The federal government would assume the retiree health care obligations for retirees of steel companies that close on or after January 1, 2000. Pension obligations would be subject to current laws under ERISA.
- Pension benefit assistance would be provided through the Pension Benefit Guaranty Corporation. Retiree health care benefit assistance would be provided through a new federal trust fund.
- A new trust fund would be established in the Treasury Department to fund steel retiree health care benefits assumed by the government. The trust fund would be funded by the receipts from duties on imported basic steel mill products as a result of the Section 201 action, assets of retiree health care plans assumed by the government, a surcharge of $5 per ton of products shipped that are produced with acquired steelmaking assets paid by companies that acquire assets whose retirees are included in the program, and additional appropriated funds as necessary.
- The Labor Department would make eligibility determinations and administer the provision of retiree health benefits coverage using the trust fund's receipts. Retiree benefit coverage could not exceed the level provided by the employer.
- The legislation also would create a new Steel Transition Board that would provide expedited antitrust review of steel company acquisitions. In deciding whether to approve a transaction, the Board would be required to take into account the need of the domestic steel industry to adjust to global market conditions.