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THE FUTURE OF AMERICAN STEEL: ENSURING THE VIABILITY OF THE INDUSTRY AND THE HEALTH CARE AND RETIREMENT SECURITY FOR ITS WORKERS

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

EXAMINING THE FUTURE OF AMERICAN STEEL, FOCUSING ON ENSURING THE VIABILITY OF THE INDUSTRY AND THE HEALTH CARE AND RETIREMENT SECURITY FOR WORKERS

MARCH 14, 2002

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C O N T E N T S

STATEMENTS

THURSDAY, MARCH 14, 2002

ADDITIONAL MATERIAL

THE FUTURE OF AMERICAN STEEL: ENSURING THE VIABILITY OF THE INDUSTRY AND THE HEALTH CARE AND RETIREMENT SECURITY FOR ITS WORKERS

THURSDAY, MARCH 14, 2002

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 2:23 p.m., in room SD–430, Dirksen Senate Office Building, Senator Mikulski, presiding.

Present: Senators Mikulski, Dodd, Wellstone, and Clinton.

OPENING STATEMENT OF SENATOR MIKULSKI

Senator MIKULSKI. [presiding]. The committee on Health, Education, Labor, and Pensions will come to order.

I am Senator Barbara Mikulski, and Senator Kennedy has designated me as the person to chair this hearing on “The future of American Steel: Ensuring its Viability as an Industry” and will focus on the retirement security of its workers. This hearing will not focus on unfair trade practices, although people may reference them. What we really want to know is what is happening to the workers, and as steel looks ahead to its future, we want to hear from those who manage the steel companies, those who represent the workers of big steel, and people who have lived with big steel all their lives.

I have been joined by my colleague, Senator Paul Wellstone of Minnesota, an outstanding spokesperson of working people and of LTV. We will be joined by our Republican colleagues—there is a vote and other meetings on—but we will move ahead.

Some of you who are unfamiliar with testifying might be a little nervous, but relax. We are here to listen to you. This is the United States of America. We think that the people who are the most affected should be heard. So we are going to be talking about these issues, and know that our advocacy for steel is on a bipartisan basis, and our colleagues will be joining us.

I want to thank everyone for coming today. I know that some of you have taken time off from work and have traveled far to be here. The purpose of this hearing is to hear from the people behind the phrase “legacy cost”—the workers, the retirees, the widows, those who represent the widows, and the executives.

I am concerned that these voices are not being heard. Their stories are here, and they need to be told. People’s lives and livelihoods are affected. I want you to know that I am on your side. I am on the side of steel and I am on the side of steel workers, and I want to make sure that the issue of legacy cost is addressed in a very serious way.

In my own State of Maryland, there are 3,700 steelworkers who count on working for Bethlehem Steel for their jobs. That sounds like a lot of folks, but that is down from 37,000 in 1957 when I was a college girl. There are another 23,000 retired steelworkers and their families. They rely on Bethlehem Steel for their health care and their pensions.

Beth Steel and other American steel companies are in trouble. Workers and retirees and their families are scared. I am worried that if these companies go under, America will lose an industry that is very important for our national defense, and workers will lose their jobs, their health care and their pensions, and retirees will also lose the same.

So we want to hear from the people who are affected and know what legacy costs are all about. I welcome you, and we want you to share your stories.

On a bipartisan note, I want to State that I personally appreciate President Bush's decision to impose those temporary tariffs. It gave steel time to breathe and to restructure.

But the road to recovery is not smooth. We need to know what are the potholes. We need to know what does steel need to do, and what do we need to help steel do it. That is why we are going to be listening to Mr. Miller, the CEO of Beth Steel, and Mr. Leo Gerard, the president of United Steelworkers of America. They are going to share their thoughts on what restructuring means and what steel needs to do and how Government can help.

Congress has heard a lot about consolidation and about plans that are in the works. But the sticking point is about financing $10 billion in health care. What does this mean? Often, we hear about big macroeconomic issues. I want to talk about the macaroni-and-cheese issues. I want to know what this means to retirees. I want to know what they will keep, what they will lose, and whom are they going to turn to.

There are now 142,000 active steelworkers, but there are 600,000 retirees. Before everyone gasps about that, that shows the productivity of American steel, how it has become more efficient, how it has developed the infrastructure and technology, how there have been labor-management agreements. To say that there are fewer workers than retirees shows what a great steel industry we have.

When we look at health care and pensions, those who write columns and editorials call your benefits "lavish"; they call them "goldplated." They imply that you have taken a free ride. Well, I want to know about that from the companies and the unions and the workers. I do not think they are getting a free ride.

I did some research before the hearing. You pay higher premiums than we Federal workers and retirees. In fact, your premium for your health care is higher than Medicare. From what I understand, the monthly premium for the retiree that we are going to hear about is $78 a month; Medicare is $54 a month. So they are certainly not "goldplated."

We know that people are hurting all over America, and this is why I am firmly for a prescription drug benefit for all seniors. But right now, we have got to talk about legacy, and we have got to talk about steel.

I am so proud of Beth Steel and all of our steel industry. I know that Beth Steel produced the armor to repair the USS Kohl. And we know that steel and steelworkers have always stood up for America. It is time now that America stands up for steel and its steelworkers.

I now turn to my colleague, Senator Paul Wellstone, for any comments he wishes to make, and then we will call up our witnesses.

OPENING STATEMENT OF SENATOR WELLSTONE

Senator WELLSTONE. Thank you, Chairwoman Mikulski.

Because I know we want to go forward and hear the testimony, I will ask unanimous consent that my complete statement be included in the record.

Senator MIKULSKI. Without objection.

Senator WELLSTONE. And I will recognize two people and say one thing in 1 minute.

First of all, we will be hearing from Jerry Fallos, who is president of Local 4108 of United Steelworkers. Jerry can tell you all about the shutdown of LTV workers and what they are going through. And Madam Chair, I was kidding him, saying that I did not recognize him today in that suit—but I will tell you something. He came all the way from the Range because he believes that his testimony will lead to some action by us that will make a difference in the lives of the people that he represents in his union. He is one of the best rank-and-file leaders in the country.

The second person is President Leo Gerard, and I want to say to Leo that Jerry is the best of your union, and thank you for your tremendous leadership. You are a fiery orator, but you are a fiery leader, and you will never quit. If I were in a fight, I would want you in my corner.

The only thing I can say—and this is my last point—is that I want to focus on the legacy cost. I think we will have some good ideas as to what to do. I want to make it clear as part of the record of this HELP Committee that the action taken by the administration leaves the iron ore workers, the taconite workers, in my State of Minnesota out in the cold. The tariff does not help us at all, not in the way in which this has been defined. We cannot do it. It is up to 7 million tons before there is any tariff. That does not help us at all.

The taconite industry, as I say to the steel industry people today, the presidents, has always been there for you. We need the rest of the steel industry to be there for us. Our fight is not over, and we are going to call on everybody to help us out now, too.

I just wanted to make that part of the record today. Thank you, Madam Chair.

Senator MIKULSKI. Thank you very much, Senator Wellstone.

[The prepared statement of Senator Wellstone follows:]

PREPARED STATEMENT OF SENATOR PAUL D. WELLSTONE

Madam Chair, thank you for convening these hearings today. They are being held none too soon. The hard working families of the Iron Range of Minnesota are facing excruciatingly tough times. Their situation is truly desperate and they need our help.

The taconite industry in which generations of workers have proudly labored has been ravaged by surges of semi-finished steel slab dumped in this country by our trading partners. Many have lost their jobs—just last year 1400 workers were laid off when LTV Steel Mining closed its doors. Now, 10,000 former employees, their spouses and dependents face loss of health insurance and many are finding that they stand to lose a good portion of the pensions the company had promised.

I am grateful that my good friend, Jerry Fallos, President of Local 4108 of the United Steelworkers of America, has been able to join us today. The stories he has to tell are grim indeed:

A couple that will have to pay $600 a month for a Medicare supplement plan—out of a monthly income of $860.

A husband whose entire monthly pension will be used for COBRA payments to continue health care coverage for his wife who is on oxygen waiting for a lung transplant.

As Jerry says, the people of the Iron Range are used to hard times. They have weathered any number of challenges over the years. They are good people, proud, hard-working—the best you can find anywhere. They are survivors—and they will get through these difficult times as well. They have given much to their country—and now they need our help.

I am determined that we will give them that help. The good people of the Range have responded to their country in its times of needs. Over the years our nation's economy flourished and our manufacturing industries boomed from the iron ore produced through the labors of steelworkers on the Range.

Unfortunately, Madam Chair, although the President's recent Section 201 decision brought relief to some segments of the United States steel industry, it did nothing for Minnesota's Iron Range—nor for the iron ore industry in Michigan. While the President imposed a fairly significant tariff on every other product category for which the International Trade Commission—the ITC—found injury, for steel slab he decided to impose "tariff rate quotas." This brings us virtually no relief.

Nearly 7 million tons of steel slab can continue to be dumped on our shores before any tariff is assessed. The injury will continue. Moreover, already some of our trading partners—Brazil, for example—are angling for exemptions that would drive the quota levels even higher. And, frankly, I fear this Administration might listen too sympathetically to such pleas. The commitment to protect domestically produced iron ore and the blast furnace capacity to process that iron ore is shockingly absent. We must remain vigilant.

To make matters worse, the President said not one word about addressing the industry's serious legacy cost problem. As worker and company representatives will testify today, there is both a moral imperative to meeting this challenge as well as a business necessity in doing so.

As a matter of fairness and economic justice, we must help the working families who gave their all to this industry and who, through no fault of their own—indeed because of the unfair practices of our trading partners—find themselves without jobs, health care or adequate pensions. As Mr. Gerard points out, as of today, 32 United States steel companies have filed for bankruptcy—and these companies represent nearly 30 percent of our domestic steel making capacity. These failures weren't the fault of the workers at these companies. These failures resulted from unfair and predatory practices of our trading partners over an extended period. They deserve our help. They deserve the President's support.

Moreover, our domestic steel industry will simply not be able to revitalize itself and remain competitive while shouldering the massive legacy cost burdens that exist. With on average three retirees for every active employee, the industry faces virtually insurmountable barriers. Government assistance is essential and we will need the President's active support for legacy cost legislation if we are to prevail.

We also need to reform our pension laws. The current guarantees provided under the Employee Retirement Security Act (ERISA) are simply not adequate. Shortly I will be introducing a measure to correct some of the problems with ERISA's pension provisions. In particular that legislation will (1) increase the guarantee levels, (2) permit payment of supplemental benefits, (3) permit full payment of benefits awarded in the five years prior to a plan's termination, and (4) provide more protections against employers' under-funding of pension plans.

This latter point is very important. Up until recently the LTV retirees on the Range had believed—based on representations by the company—that their pensions were fully funded. Now they learn this is not the case. Indeed, some may lose as much as half of their promised benefits. Under-funding of pension plans is a serious problem that I intend to address in the pension reform legislation I will introduce. I hope my colleagues will join me in pressing for these changes.

Again, Madam Chair, thank you for convening these hearings. The issues we are discussing today need urgent attention. I look forward to hearing from the witnesses and to working with my colleagues on this Committee on prompt solutions.

Senator MIKULSKI. Before we begin I have a statement from Senator Kennedy.

[The prepared statement of Senator Kennedy follows:]

PREPARED STATEMENT OF SENATOR KENNEDY

I commend Senator Mikulski for organizing today's hearing on the plight of America's steel industry and steel workers. She has been relentless in her efforts to ensure that our nation's steelworkers are treated fairly, and I commend her for bringing this issue before our committee today.

For more than a century, the steel industry has been the backbone of American manufacturing. Today, that industry is in serious jeopardy. At risk is the future of this core industry and hundreds of thousands of jobs. Also hanging in the balance are the retirement and health benefits of an estimated 600,000 retirees, widows and their families. Today, we will be hearing from those most deeply affected by the current steel crisis. I hope that today's hearing will be the basis for action by Congress to protect America's steel retirees.

The steel industry has been hit hard over the last several years as steel prices have dropped precipitously. By last December, steel prices were just 68% of the level they were at before the steel crisis began in 1998. Since the start of the steel crisis, nearly a third of U.S. steelmaking capacity has fallen into bankruptcy. Last year, steel bankruptcies more than doubled and 40 plants either shut down or stopped steel production. As a result, 20,600 steelworkers lost their jobs. Over 100,000 retirees and their dependents have been left without benefits. At the end of this month, another 82,000 retirees from LTV Steel will lose their health insurance.

The closure of steel mills both devastates local communities and has a traumatic impact on workers across the United States. The steel crisis jeopardizes the jobs of thousand of workers who make the machinery and raw materials used to produce steel.

Although President Bush recently imposed tariffs on many foreign steelmakers, the Administration has not yet taken action to address the high cost of retiree benefits. Addressing these essential benefits is central to any plan to address the financial plight of the steel industry. The steel industry has four times as many retirees as workers—600,000 retirees versus 150,000 active workers. The average steel company has approximately three retirees for each active employee—nearly triple the ratio for most other basic manufacturing companies. As a result, the seven largest steelmakers alone provide health care to over 400,000 retirees and dependents.

The cost of retiree benefits in the steel industry far outpaces other American manufacturing industries. Retiree health care costs average 2.8 % of revenue in the steel industry as compared with only 0.4% for General Electric and 0.2% for AT&T. At some steelmakers, such as Bethlehem Steel, the situation is far more dramatic, with retiree benefits representing 20% of the total costs of sales.

Since nearly every other industrialized nation has national health insurance, foreign competitors do not face the same costs of doing business. Steelmakers in these nations do not face enormous retiree health care costs because the government is taking care of citizens.

Without retiree health insurance, many former steelworkers and their families would be left without access to decent medical care. Already, many steel retirees pay between 25% and 40% of the cost of their health care benefits. Steelworkers and retirees aren't even eligible for COBRA when their bankrupt companies no longer offer a healthcare plan. Many of these workers and retirees are too young to be covered by Medicare.

Even for those Medicare-eligible steel retirees, serious gaps in coverage remain. Unfortunately, the average retiree benefit is barely enough to cover the average cost of Medicare supplemental insurance to close those gaps. Continuing retiree health coverage must be a major priority for Congress.

The steel industry has been the driver of the American economy. The cars we drive and the buildings we work in wouldn't be possible without the backbreaking work of America's steelworkers. We must recognize the contribution of these workers to building America. We must not let them down in their hour of need. Hundreds of thousands of America's workers were promised decent health care by their companies in exchange for years of service in the workplace. We must help to make sure that this promise is kept.

I look forward to the ideas of today's witnesses as to what specific action the Congress should take.

Senator MIKULSKI. Let us call up the first panel now—Mr. Fallos, Mr. Mikula, Ms. Misterka and Mr. White, please come up.

Again, I know that when many fellow Americans come and testify, they wonder what this is. This is not an investigation. You do not have to take an oath. All you have to do is speak your heart, your mind, and your experience.

I want to turn to Jeff Mikula and ask you to kick off, Jeff. We are happy to see you. Then, we will go to Gertrude Misterka, then to Mr. White. And Mr. Fallos, you are representing former employees, and you are in a unique situation, so we will ask you to be the wrap-up guy.

Is that okay?

Mr. FALLOS. That is fine.

Senator MIKULSKI. So, Mr. Mikula, we really want to welcome you. To my colleagues, Mr. Mikula is from Dundalk, MD, which is the home of Bethlehem Steel. He has been married for 15 years; I believe his wife Lisa is in the audience. He has been an ironworker at Bethlehem Steel at Sparrows Point, and he works as the financial secretary for the U.S. Steelworkers.

Why don't you go ahead and tell us how long you have been at Bethlehem Steel and what you would like the committee to know?

STATEMENTS OF JEFFREY MIKULA, STEELWORKER, DUNDALK, MD; GERTRUDE MISTERKA, WIDOW OF STEELWORKER, BALTIMORE, MD; McCALL WHITE, RETIRED STEELWORKER, ELLICOTT CITY, MD; AND JERRY FALLOS, STEELWORKER, AURORA, MN

Mr. MIKULA. Good afternoon, Madam Chair and members of the committee.

First of all, I would like to thank you, Senator Mikulski, as well as all of your colleagues in the House and Senate who attended the February 28 steelworkers rally on the Ellipse to press for the steel tariffs. Your support means a lot to every steelworker. I was there with my 13-year-old daughter, and it was a great day for America.

My name is Jeff Mikula, and I have lived in East Baltimore all my life. I am 46 years old, and I am an active employee of Bethlehem Steel's Sparrows Point plant in Baltimore, MD. I am employed as an ironworker in the mill and now have worked for Bethlehem Steel for 28½ years. I am married and have three children, 19, 13, and 9. My 19-year-old son is currently enrolled as a student at Loyola College in Baltimore where he is studying computer engineering.

I can tell you that nearly 30 years of working as an ironworker at the Sparrows Point plant outside in the elements takes its toll on both your body and your mind. Jobs in a steel mill are physically demanding, and it is not unusual to see workers who appear older than their years. In 2 years, I will have worked for 30 years, and would be eligible for retirement. If I retire at that time, I am promised a pension of approximately $1,600 a month before taxes; but I do not know if my company will survive that long given the continuous crisis in the American steel industry. Every day, I wonder whether my pension will be there for me when I am ready to retire; and now every day, I wonder whether I even have a job to go to before I am ready to retire.

It is a far cry from where Bethlehem Steel was only about 3 years ago, when we could earn $2,000 to $3,000 a year in profitsharing above our base wages.

Bethlehem Steel is now in bankruptcy. I participate in Bethlehem Steel's basic HMO, Fidelity Health Care 2000. This coverage extends to myself, my wife, and our children. Under the plan, we pay copayments of $15 for each visit to the doctor's office. On average, I see the doctor twice a month, and my wife sees her doctor around three times a month. Our children also visit the doctor a few times over the course of the year. That is about $75 a month or $900 a year in copayments just for going to the doctor.

We pay a 20 percent copayment for generic prescription drugs and 30 percent for nongeneric drugs. We also have an $1,100 annual dental allowance for our family. Our eye care provides one care of glasses every 2 years, and my 9-year-old has already gone through two pair of glasses in just 1 year, which has cost our family $185 for a second pair.

I suffer from recurring kidney stones and am taking Urocrit three times a day. I have to take Allopurinol to counter my high level of uric acid and also Colchicine for my gout. I am also taking Viox once every day for the pain, and the drug Atenolol, a generic drug, for treating my high blood pressure.

I can tell you that just a person is in his late forties, he does not worry any less about losing health insurance for himself and his family than a retiree in his seventies. It is truly a frightening prospect, especially when you realize that just one accident or serious illness could wipe you out financially.

I have worked hard all my life and have played by the rules. But unfortunately, for far too long, we have allowed foreign countries to target the American market, not just to dump steel but to eliminate our capacity to produce steel. We are cutting our capacity, but our trade partners continue to add capacity. It is just not right, and our Government has sat by and allowed this to happen.

The mill is running at about 65 percent capacity but needs to run about 85 percent to make a profit. Our benefits have been reduced. When I started 28 years ago, I thought I had a job for life. Now, I do not even know if I will have a job tomorrow.

Please work with our union and our companies to find a way to secure a quality standard of living for all steelworkers, retired and active.

Thank you.

Senator MIKULSKI. Thank you very much for that excellent, excellent testimony. It is exactly what we wanted to hear.

I am going to turn now to Gertrude Misterka, the widow of a steelworker. She has some health issues, and she is going to talk about what it has really been like to survive. Her husband Charlie died 5 years ago, and we know that his family and his workers miss him very much. I had the chance to meet Charlie, and of course, Gertrude, have been in your company many times. You remember when I came a long time ago and knocked on your door.

Why don't you just tell us about yourself now?

Ms. MISTERKA. OK. Good afternoon, Madam Chair.

My name is Gertrude Misterka. I am 65 years old, and I live in Baltimore, MD. My late husband Charles started working at Bethlehem Steel's Sparrows Point mill when he was 18 years old in 1945. He served his country in the Army for 4 years before returning to work at Sparrows Point. Charles worked for Bethlehem Steel for 30 years in the pipe mill, where he was a rotor machine operator.

His job enabled myself and our five children to live a decent life and to buy our own home in Baltimore which we have owned for 45 years. Through his steelworker union contract, he was also able to earn a pension and health care benefits.

In 1994, at age 66, my husband suffered a stroke. He died in 1996. I miss him very much, especially since he is not here anymore to help me with my own health care challenges.

I am entitled to receive a $100 monthly pension benefit as a surviving spouse. But after a $76 month deduction for my Blue Cross Blue Shield health insurance coverage, I get only $24 a month. That amount is in addition to my monthly Social Security check of $800 a month.

I am a diabetic and insulin-dependent. Every day, I take 40 units of insulin in the morning and 10 units at night.

I suffer from high blood pressure and am on a prescription for Vasotec, which I must take twice a day.

I am also being treated for high cholesterol and am taking Lipitor, 10 milligrams a day.

I take Ativan, 0.5 milligrams, as needed, for my nerves.

I suffer from asthma, and I use an Albuterol inhaler, 90 milligrams, as needed.

I have periodic chest pains, and I am taking nitroglycerine tablets, 0.5 milligrams, as needed.

Finally, I suffer from swelling, and I take Lasix, 20 milligrams, to deal with this problem.

I receive some help from Medicare, which pays 80 percent for my diabetic monitoring machine. But Medicare pays nothing for my prescription drugs, which are increasing in cost at the same time that my income is fixed.

I worry about how I will be able to afford my prescription medication of Bethlehem Steel cancels the prescription drug plan which currently pays 80 percent on my prescriptions. If I lose my insurance, my health will suffer, and I really do not know what will happen to me.

In the past 14 months, my medications cost $936.53. If I did not have health insurance, these medications would have cost me $6,716.16.

Senator MIKULSKI. Would you repeat that number, please?

Ms. MISTERKA. In the past 14 months, my medications cost $936.53. If I did not have health insurance, these medications would have cost me $6,716.16. If the committee is interested, I have documentation from my pharmacy on the cost of these drugs along with my pension statement.

I am worried not just for myself but for other widows of steelworkers and for their dependents who have nowhere to turn for help.

Thank you for listening to my story. I hope that this committee and others in the Congress will do whatever you can to protect the pension and health care benefits of retired steelworkers and their survivors.

Madam Chair, I have a copy of these if you would like to have them.

Senator MIKULSKI. We will get those after the testimony. I really thank you for your testimony.

And to my colleagues, this is the first time that Ms. Misterka has ever spoken in public. Wasn't she terrific?

Senator CLINTON. Very good. [Applause.]

Ms. MISTERKA. Thank you, Senator and members.

Senator MIKULSKI. I just want to note that we have been joined by Senator Dodd of Connecticut and Senator Clinton of New York.

Senator MIKULSKI. Now let us turn to Mr. McCall White, a retired steelworker. He retired from Beth Steel in 1990, where he was a ladle liner down there. He is a Korean War vet, and he has been active in Local 2610 to represent the retired workers. He is also member of a group called SOAR, Steelworkers Organization of Active Retirees.

Mr. White, we welcome you and ask you to proceed now.

Mr. White. Thank you, Madam Chairman.

My name is McCall White. I am 74 years old, and I live in Baltimore with my wife as a retired steelworker. I am very appreciative of the opportunity to appear before this Senate committee as a representative of many thousands of other retired steelworker families like myself.

Senator Mikulski, many steelworkers including myself were reassured by your appearance and comments to us at the Steelworkers Union Local 2610 Hall in Dundalk at a community rally on February 20 that was directed at saving our steel industry.

Tens of thousands of retired steelworkers in the Baltimore area are anxious about the future of our Sparrows Point mill and whether we can count on the financial commitment by Bethlehem Steel to continue our health care benefits plan.

I retired in 1990 as a ladle liner after 38 years at Sparrows Point. When I was drafted to serve during the Korean War, I willingly accepted; and when my community and union membership needed help, I always responded. I am here today responding again to the concerns about the future.

I was an active elected local union official at Sparrows Point, and I continue to represent retired steelworkers as vice president of our local union's retirees club. In addition, I am an active member of SOAR, the Steelworkers Organization of Active Retirees.

My wife and I have enjoyed very good health, but like many retirees at our age, we value the fruits of our working years and reliance on a modest pension, plus the health care benefits plan that helps us with our prescription drugs. We rely on prescriptions for heart, blood pressure, and arthritis conditions, and we make copayments under the drug plan.

We do not want handouts, and we do not want the burden of our needs to be placed on our adult children and their own families. However, my wife and many of my co-retirees' families are very anxious about the financial distress of Bethlehem Steel Corporation and the dozens of other steel companies that have been damaged by unfairly-traded steel imports and the lack of any Government response to enforce our trade laws until recently.

It is my hope that by coming to this Senate hearing and expressing my concerns and those of my co-retirees, the elected leadership of our Congress will commit to solutions that save our pensions and health care benefits. That is our major concern.

I thank you.

Senator MIKULSKI. We want to thank you very much, Mr. White.

We would like to acknowledge the presence of Senator Arlen Specter. Senator Specter is not a member of this committee, but he is one of the co-chairs of our Steel Caucus. He and Senator Rockefeller co-chair that Caucus, and as I said, our efforts are bipartisan. He is on the Judiciary Committee, where they are considering the nomination of Judge Pickering right now, a very testy and complex situation, so as a Senatorial courtesy, we will turn to you for any comments you would like to share with us, and then we will continue, because I know that you have to return to Judiciary.

Senator Specter. Thank you very much, Madam Chairman. I shall be brief.

First, I thank you for extending the invitation to me to sit with this very distinguished committee on this very important subject.

As Senator Mikulski has noted, at this time, the Judiciary Committee is considering the nomination of Judge Pickering, and Senators are speaking, and we will vote on him sometime this afternoon; the speeches are likely to be pretty long, I might say.

I believe this is a very, very important hearing. We have round one of the tariffs having been entered. The President took courageous action in the face of a very difficult situation, but that is only step one. What remains to be done is to tackle the legacy cost.

Senator Rockefeller and I—Senator Rockefeller chairs the Steel Caucus, and I am the vice chair; I liked it better when our roles were reversed, but that is what is happening now—are working on legislation as to the legacy cost. I think there is a very unique opportunity with the agreement by labor and business to come to terms to restructure the steel industry, which American desperately needs not only for the jobs but for our domestic production and most of all for our national defense.

I am sorry that I will not be able to be here to hear Mr. Leo Gerard, the president of United Steelworkers, and Mr. Steve Miller, the chairman and CEO of Bethlehem Steel, but we have a chance now to restructure and save a very vital American industry, and I think this hearing is a good step and start in that direction.

So I appreciate what you are doing, and I thank you, Madam Chairwoman, for according me this courtesy.

Senator MIKULSKI. Thank you very much, Senator.

We have a lot ahead of us and will share with you and your staff the really very compelling testimony.

Senator WELLSTONE. Madam Chairwoman, if I could just take the liberty of 30 seconds, I so appreciate what Senator Specter said. I have to keep saying this as a Senator from Minnesota—I do not think that step one was taken all the way, because the iron ore industry, the taconite industry, was not covered by the tariff. So from our point of view, we still have not gotten there. The legacy cost is important, but we have an awful lot of people in my State—and I see the steelworker here nodding their heads—who are not covered by the tariff.

I want to make that part of the record over and over again, because we have to somehow make that happen.

Thank you, Madam Chair.

Senator MIKULSKI. And Senator Wellstone, you have the president of local 4108 exactly in that situation. Would you like to introduce him to the committee, and then, Mr. Fallos, you go ahead and testify? Why don't you do that, Senator.

Senator WELLSTONE. I actually did that earlier, and I could go over and over again—but again, we thank you, Madam Chair.

Jerry Fallos, for my two colleagues who arrived late, is president of Local 4108, United States Steelworkers. LTV has pulled the plug, and we are talking about a lot of LTV workers who are out of work.

Jerry has an incredible sensitivity to people. Every, single day, he is dealing with people who are now out of work; they do not know what is going to happen with their pensions; the retirees do not know what is going to happen with the health care costs. And frankly, people who are 57 and 58 and 59 or even in their early 50's are now out of work and have lost their health care benefits, and some of them might have had a bout with cancer, some of them might have had something else—and they cannot afford any coverage at all, period, zero—zero. COBRA costs $1,000 a month. They are out of work. And we are being told here in Washington that we do not have the money to do anything.

That is my introduction.

Senator MIKULSKI. Mr. Fallos?

Mr. FALLOS. I probably do not have to say anything right now, but thank you, Madam Chairman and members of the committee.

Senator MIKULSKI. This is why we love Senator Wellstone and want him back.

Mr. FALLOS. I did not recognize him; usually, when he comes to my town, he wears a flannel shirt and jeans.

Senator DODD. He said he did not recognize you, either. [Laughter.]

Mr. FALLOS. I am Jerry Fallos, and I am president of Local 4108 of United Steelworkers. I represent about 3,500 former LTV employees in Northern Minnesota.

In December of last year, the steelworkers and LTV Steel Mining Company came to an agreement that would allow LTV Steel to pay for retiree health insurance out of what is called a VEBA trust fund. VEBA is an acronym for Voluntary Employee Benefit Association. This trust fund was established in 1994 to help LTV pay retirees' premiums if they ever went bankrupt again and could not meet their obligations.

We came to the agreement that they could take the money out of this fund to pay for their health premiums while they were trying to restructure. They calculated that this fund would last until mid-2002 and that all retirees would be covered by insurance until mid-2002.

Last week, without any warning, they notified us that everybody's health insurance will be terminated on March 31. Although there are 3,500 employees just on the Iron Range, if you take into account dependents and spouses, that number swells to about 10,000 people just on the Iron Range in Northern Minnesota. If you take into account all the people who depend on LTV for their health insurance across the country, that number would swell to over 200,000 people.

You cannot imagine the devastating effect this is having on these people. I want to try to put a face to some of the problems that we are having. The members of this panel have done an excellent job. I would like to put a perspective on it for people who do not have insurance, and their pensions are being slashed by the PBGC.

Just the other day, an elderly couple came into my office. They must have been in their mid-eighties, because he said he retired 22 years ago. He just could not understand why he was no longer going to have health insurance. He had worked for LTV for over 35 years, and they had promised him that when he got done working, he would be provided with health insurance and pension. He said that he does not know exactly where to look or how to go about finding insurance. I said, "Don't you have any kids or relatives or friends who can help you with some of these problems?"

He said, "No. All I have is you and the union, I guess."

So I took out a 1-800 number that is supposed to be helpful for retirees to find out about insurance and unemployment and things like that. He said, "That number is not going to do me any good. I have called that number many times already, and they act like they are not listening to me. I ask them questions, and they act like they do not even hear me. They just keep telling me different buttons to push." He did not even realize that he was talking to a voice-mail or a recording.

So we got on the telephone and called a couple of different insurance companies. It turns out that he gets $865 a month total pension and Social Security; that is all he gets. After we talked to some insurance companies, the premium for a supplemental insurance policy for just prescription drugs and office calls and different things that Medicare will not cover would cost him and his wife $600 a month. I do not know how you can live on $250 a month.

And I guess it makes no difference if you are old, middle-aged, or young; you still have a lot of problem. One of my friends is 47 years old. His wife is on oxygen right now while she is on a waiting list for a lung transplant. His COBRA payments are over $900 a month. His pension, after it is slashed by the PBGC, will be exactly $900 a month. They do not know where to turn.

I have another friend who has four teenage daughters in school—four teenage daughters is bad enough—but he makes $400 a week on unemployment, and that is just enough to disqualify him from any assistance for health insurance. The other day he told me, "Jerry, I just pray to God every night that my kids do not get sick and that I do not get sick, that I can stay healthy enough to finish school and find a job that will provide some kind of health insurance."

I could go on and on. There are 3,500 stories, and none of them is good. Everybody is out of health insurance; the pensions are being slashed. The fact of the matter is these people worked for 25, 30 years, and when they retired, they were sure they would be provided health insurance and pensions to enjoy their so-called golden years. Instead, they are finding that those so-called golden years are not quite so golden right now.

The union and LTV worked for many months together trying to salvage LTV, trying to help them restructure themselves. But eventually, it was in vain. The fact of the matter is we could all agree to work for nothing—no wages, no benefits, or anything—and we still cannot compete with foreign steel industries that have their legacy costs subsidized by their governments.

We need help from this administration. We need legislation like H.R. 808 or Senate bill 957, the Steel Revitalization Act. We need help on that. We also need some help on money that is collected from these tariffs, if it could go into some type of a legacy fund to help pay for legacy. We need that.

The President took a step in the right direction by imposing a 30 percent tariff on imported steel, but his decision was more or less devastating for Minnesota and Michigan. If they allow 5 to 7 million tons of slab steel into the country before they impose tariffs, that is equal to over 10 million tons of pellets. That is equal to the total yearly output of three mining companies in Minnesota. It would be the final nail in their coffin if they are allowed to do this. We will not survive without help.

After working as a steelworker and in the mines for 35 years, I have learned one thing. Steelworkers are survivors. We survived the long strikes in the early seventies, and we survived the massive layoffs in the early eighties. We even survived the first bankruptcy of LTV Steel in the mid-nineties. We were able to survive all these things with faith in God, support from our families, and support from legislators like Senator Wellstone, Senator Dayton, and Congressman Oberstar. But in order to survive the biggest challenge we will ever face, we need help from our Government.

We are not asking for handouts. All we are asking for is a helping hand. We need your help badly.

Thank you for listening to me.

Senator MIKULSKI. That was outstanding. Each and every one of you was absolutely outstanding.

The way we are going to operate is that every Senator will have a chance to ask questions for up to 5 minutes, and we will go on a first come, first served basis.

I would like to talk to you, Mr. Mikula, for a few minutes. You are now working at Bethlehem Steel; is that right?

Mr. MIKULA. Yes.

Senator MIKULSKI. And how much do you make now?

Mr. MIKULA. I make $860 a week base salary. That comes to a little over $40,000 a year.

Senator MIKULSKI. And if Bethlehem Steel were to go under, what would happen to you?

Mr. MIKULA. Well, my oldest child is in Loyola College, and I would probably have to go out into the building trades. I have a craft as an ironworker. I would probably have to travel around the Baltimore-Washington Metropolitan Area, around other States, to get a job with other local unions and survive that way, because that is my home trade is ironworker.

Senator MIKULSKI. But you have some pretty big health issues, don't you?

Mr. MIKULA. Yes. With my kidney stones, it is hard for me to go around. When attacks come—I was hospitalized three times in 1 week this year.

Senator MIKULSKI. I do not want to get personal, but you would have a hard time, wouldn't you? For a lot of workers in their forties and fifties, do you think there would be a chance for you to find another job at these wages and with these benefits?

Mr. MIKULA. If we were all let out together, it would be very hard. A little at a time—you have got to realize that we have been dropping people out of our mills for a long time. We are down to around 3,000 people now. So a lot of employees have already been out of work down there and are finding other jobs. So you have to go farther out to look for work.

Senator MIKULSKI. But the possibility is that both Bethlehem Steel and all the other steel mills could happen pretty much within the same 8 weeks?

Mr. MIKULA. Basically.

Senator MIKULSKI. So that would be pretty serious.

Mr. MIKULA. Yes.

Senator MIKULSKI. Let me turn to you, Ms. Misterka. When did your husband die?

Ms. MISTERKA. He died in 1996.

Senator MIKULSKI. So you were then 57 years old.

Ms. MISTERKA. Yes.

Senator MIKULSKI. And that meant that you were not eligible for Social Security. Did you work out of the home? Did you have to use your savings?

Ms. MISTERKA. Well, he died September 18, and my birthday was the 29th, so Senator, I was lucky that he died in September; so I did start getting is pension and so on from down at the Point.

Senator MIKULSKI. Otherwise you would have been stuck.

Ms. MISTERKA. Yes.

Senator MIKULSKI. So you did not have to go to your life savings.

Ms. MISTERKA. That is right.

Senator MIKULSKI. You said that without Bethlehem Steel and its pension—you get $100 a month.

Ms. MISTERKA. Yes.

Senator MIKULSKI. Now, people say—and stick with me for a minute; I am not saying this, but the editorial board are saying this—Mr. George Will who writes for The Washington Post says that your pension is lavish and goldplated, and so is your health benefit.

Ms. MISTERKA. Oh, really? [Laughter.]

Senator WELLSTONE. There is the best answer I have ever heard.

Senator MIKULSKI. If he were here, what would you say to him?

Ms. MISTERKA. I would say let him try doing what I have to do. [Applause.]

Senator MIKULSKI. So you do not have a COLA. Do you have a cost-of-living adjustment in your pension from Bethlehem Steel?

Ms. MISTERKA. No. I get $100 a month. That is the pension. Then they take $76 a month out for my Blue Cross and Blue Shield, and after that, I get a check for $24.

Senator MIKULSKI. So you were paying this premium of $76 for your health insurance.

Ms. MISTERKA. Yes, Senator.

Senator MIKULSKI. Just know, colleagues, that this is more than what we pay for Federal employee retirees—and not that we are lavish or goldplated. We are talking about the basic benefit; isn't that right?

Ms. MISTERKA. I have a copy, Senator. I will show you what I get.

Senator MIKULSKI. Well, thank you. I would love to be able to see it.

Let me ask you one more question. If Bethlehem Steel were to go into bankruptcy and could not consolidate, or they could not do a joint venture, or all of the other things that Mr. Miller will tell us about, and Bethlehem Steel were to just liquidate, where would you turn?

Ms. MISTERKA. Senator Mikulski, it would be very hard, because I am on a limited income as it is, and I take lots of medication, and it worries me. I even wake up at night, and I go to all the meetings, and I do everything that I can to try to save our insurance and our pension. I certainly hope it does not happen; it just cannot.

Senator MIKULSKI. Do you know where you would turn?

Ms. MISTERKA. It would be very hard. I do not want to go to welfare, because I want to hold my head up. My husband worked all those years for me, and to think that this is happening to me and all the other widows and all the other steelworkers—it just cannot happen.

Senator MIKULSKI. He was a veteran, wasn't he?

Ms. MISTERKA. Yes, ma'am.

Senator MIKULSKI. So he fought for America.

Ms. MISTERKA. Yes, he did.

Senator MIKULSKI. And if he were alive, he would want America to fight for you, wouldn't he?

Ms. MISTERKA. Oh, yes. He started to work for Bethlehem Steel, and then he was called into the service, where he served for 4 years. Bethlehem held his job for him, so he went back there to work. He worked there for 30 years, and then he got a disability retirement.

Senator MIKULSKI. But he thought you were taken care of forever?

Ms. MISTERKA. Yes, yes.

Senator MIKULSKI. And you thought you had a job forever, Mr. Mikula.

Mr. MIKULA. Yes, ma'am. When I got out of high school, it was like gold to work for Bethlehem Steel.

Senator MIKULSKI. Mr. White, I have other questions for you, but my time is up, and I am going to give my colleagues the time to ask questions. We want to thank all of you for your eloquent testimony.

Senator Wellstone?

Senator WELLSTONE. Thank you, Madam Chair.

Let me start with Jerry. There was a story today that the Brazilians have been talking with Mr. Zoellick, our Trade Rep, and they want to try to—well, there are a couple of things about what they are doing, but let me ask you about something Minnesota-specific—they might want to try to basically get an additional break on dumping more slab steel into our market.

If that happens, what would be the impact on the Range?

Mr. FALLOS. As I explained before, we are working right on the edge now. Any more imports of slab, it is in direct competition with pellets. As I explained, it takes about one to one and a half tons of pellets to make one ton of slab. So any more imports of slab could be devastating to the Iron Range. There are a number of small mines now that are right on the edge of closing down, and I do not think they could take any more.

Senator WELLSTONE. The second quick question is could you explain—I think we want it on the record yet again—the President's Section 201 decision—could you explain why it does not help the taconite industry? I want people to be clear about that.

Mr. FALLOS. Well, because they are going to be allowed to importtant 6 to 7 million tons of slabs before they put any quotas on it at all. That is equal to about 10 million tons of pellets. The total output of three of the mines on the Iron Range is about 10 million tons of pellets. So unless they put a tariff on slabs right away, it is not going to do the Iron Range a lot of good—or Michigan.

Senator WELLSTONE. And actually, while the president is here, I am going to tell President Gerard that I am hoping to get his support for this. I have been listening, and one thing that becomes very clear on the legacy cost, one of the things that is so terrifying for people is that they are going to lose their prescription drug coverage. That is really it—which of course is terrifying for a bunch of other people in the country already, because they were not lucky enough to work for a good union like this, and they do not really have the coverage, either. I think that in Minnesota, two-thirds of the people over 65 do not have any coverage. It is unbelievable.

What I am thinking—and we want to work on the legacy cost separately—but what I am going to ask Mr. Gerard, and I want to get a quick reaction from the rest of you—I now know exactly the amendment I am going to do on the Budget Committee. I am going to have an amendment which says that the pharmaceutical industry, which has been making Viagra-like profits, if you get the meaning of that, has been pushing people around who are over 65, and the Federal Government should become the bargaining agent for the 40 million people who are the Medicare recipients in the same way we do it for the veterans, and insist on a discount price.

Can you imagine the Federal Government with a bargaining pool of 40 million people, Medicare recipients? I would think we could do a heck of a good job of making them bring the costs down. It would just be a straight up or down vote. I hope the union will support me on that, because we want to work on legacy cost, but that would be good for everybody. Maybe they can even get it down to what they charge in Canada. Then we would really be doing well. In my not such humble opinion, I think it is a good proposal.

What do you guys think, in 1 minute?

Mr. FALLOS. Yes.

Mr. MIKULA. Yes.

Ms. MISTERKA. Yes.

Mr. White. Yes.

Senator WELLSTONE. All right. I have the support of the steelworkers.

Senator MIKULSKI. Senator, in your usual modest and mellow way—we who chair the veterans appropriations committee have asked the Veterans Administration to give the committee their cost containment mechanisms. We know that because of big purchasing power on many of the drugs used particularly to manage chronic illnesses, like our dear friends have said today, we can get as much as 15 to 40 percent.

Senator WELLSTONE. That is right. There is no reason why whatever HCFA is now called today cannot do the same thing.

Senator MIKULSKI. Is that it?

Senator WELLSTONE. Yes.

Senator MIKULSKI. Senator Dodd from Connecticut.

Senator DODD. Thank you very much, Madam Chairman. This has been very worthwhile.

I know that for many of you, including Ms. Misterka, testifying before a Senate committee can sound like a daunting task, but you have all done very, very well.

Mr. White, your testimony was excellent as well, and Mr. Fallos. I did not get a chance to hear Mr. Mikula, but I listened to you answer some questions.

I know you must wonder whether this makes any difference. You have come a long way, Mr. Fallos, and you have got to wonder, sitting here today, if it makes a difference. Well, it makes a difference.

I do not come from a steel-producing State. I know your president well, and I have spoken to the international union on numerous occasions. I come from a consuming State; I have industries in my State that are consumers of steel products. I am hopeful they will get on board with what we are trying to do here. It is important that those who produce the product and those who consume it in this country understand that we are in this together, and my hope is that we can do a better job at convincing the steel constituency, if you will, that there is a common interest here. As has been pointed out by others in the past, for this country to have one of its basic industries evaporate and to depend on foreign sources for this product is a frightening prospect. We do it already in too many areas. We do it too much in the energy area already, and to do it in this area as well would be a travesty.

And to those who are retirees, we know the legacy costs are expensive, but I think that doing nothing would be a far greater cost. So I just want you to know that even though some of us do not represent specific constituencies that have been affected, we represent all of you. We are United States Senators. We come from specific

States and represent those States, but when we come here, we cast votes that affect everyone in the country. I do not represent a lot of farmers in the sense that they exist in the Midwest, but I know that if we are not supportive of agriculture, the country suffers. I know that when there is a drought or a fire someplace in the country, and it may not have affected my people directly, I know that if we do not step up to the plate, the next time it could be my State, it could be my industries, it could be those people who work on the consumer side of the steel industry who are sitting at this table, wondering whether anyone will stand up for them.

So we are in this together as a people. I have no direct questions for you. You have done a very good job in presenting your testimony. But I just wanted to come here this afternoon, Madam Chairman, to express my sense of solidarity with you and with our witnesses here and President Gerard, for whom I have the highest regard and what he has done on behalf of the people he represents.

Mr. Fallos, I only have one request to make of you. You are making some requests of me, and I want to make a request of you. This fellow here who is sitting to my right is about as good a fighter as this institution has. There is no one who cares more deeply and more passionately about working people than Paul Wellstone.

So I will make a very specific plea to you. When you pack up and go home to Minnesota, and you take off that coat and tie that you are not terribly comfortable in, do what you can to send this guy back here.

Mr. FALLOS. We are going to be trying our hardest, believe me.

Senator DODD. Thanks.

Thank you, Madam Chair. [Applause.]

Senator MIKULSKI. You know, we are not supposed to allow clapping, but I do not care today. [Applause.] America has been through so much, and we have so much that lies ahead.

Now let us turn to Senator Clinton of New York. We have campaigned together up in the steel communities, and I know you are a strong advocate. Please.

Senator CLINTON. Thank you so much, Senator Mikulski, for your strong advocacy on this issue and for calling this hearing, and thanks to my colleagues as well.

It is absolutely correct that Senator Mikulski came and campaigned for me in Buffalo. An as those of you who know anything about the steel industry and particularly—I see some New Yorkers in the crowd—Western New York, particularly the area around Buffalo, in the 19th and 20th centuries was really the industrial base for our Nation. There are a lot of reasons why the United States is strong today because the men and women of Western New York were committed to creating good products at a competitive price that built this Nation.

I know that in the last two centuries, we had the Nation's number one grain milling center; we had Bethlehem Steel near Lackawanna, which stretched for miles on the lake. Many of the steel plants in Western New York are closed or on the brink of closing. We face the loss of health and retirement benefits, just as we have heard from these eloquent witnesses, in Western New York as well.

It is a real concern that the men and women who really built this Nation would in their later years be so easily forgotten. The stories that we have heard could be repeated literally thousands and thousands and thousands of times over.

Now, solving this problem is going to require some creative solutions working with the steel workers, working with the steel industry, but I think it is long overdue to be addressed. I know that with the President's Section 201 decision, there is a kind of holding pattern, but even if that is not knocked out in the WTO, it expires in 3 years.

So we are looking at a crisis that is nowhere near being addressed. We really do not even have half-a-loaf, because the loaf is not even going to be around after a while, and its ability to help our steel industry remain competitive diminishes over time rather quickly, plus these additional problems which I thank Mr. Fallos for addressing which I was not aware of, and I appreciate your bringing those to our attention.

So I do not think there is any alternative, Madam Chairman, but to address this legacy cost issue if we are serious about the industrial base of our Nation and particularly our steel industry. I hear people who say that we do not need a steel industry, and I just do not understand what planet they are living on, to tell you the truth.

I understand that our economy has changed. I know that more people make their living working with computers than working in steel mills. I know that many of the changes in the economy have created really difficult times for a lot of good, hardworking people. But I view this with respect to the survival of the steel industry as also a national security issue. I have been told by the steelworkers, by Leo, by executives of the steel industry that we have a lot of needs for our increased national security and homeland security that have to be addressed that need steel to address them.

I know for a fact that when the USS Kohl was damaged by a terrorist bomb, there was only one plant left in our country that could make the armored steel to repair that ship. And I just do not believe we should be looking around the world to get the steel we need to repair our ships or our tanks or anything else. I just have a fundamental disagreement with those who believe that we can do without it.

In this difficult time, though, we have got to figure out how we come up with a solution that is fair to the retirees and really lifts the burden off of the steel industry, because as you so well know, our steel industry is really trapped between two different pressures. On the one hand, in the countries that we compete with who provide universal health care and universal retirement benefits, everybody in those countries pays for those benefits. The countries that we compete with who do not provide any benefits have a competitive advantage. So we are kind of caught in the middle. We cannot figure out how we are going to find our way out, because we do not want to lower our standard of living to equate with some undeveloped country, but we cannot compete with the developing countries because they have all of these direct and indirect subsidies.

So I think you can be an absolute, positive free trader and say "I support trade because it creates jobs," and still say, "But when are we going to go after the countries that either do not provide any support for workers or for environmental standards or provide it indirectly, because they basically tax people to provide it?"

At some point, we are going to have to de-link health care from employment anyway. It makes no sense to put these shackles around our employers. I do not understand why employers in this country are not up in arms, saying "Get this burden off our backs; make it possible for us to compete on what we know how to do. [Applause.] We know how to make steel. We know how to make automobiles." You may recall that I had something to say about this a few years ago, and I did not often get applause, so maybe times are changing.

But I want to work with you, Madam Chairman, on this very important issue, because the legacy cost issue of the steel industry and the effects on hardworking people who essentially had a contract with their employers has to be honored, and it cannot be honored and maintain our current steel industry. It should be honored, and we should maintain the industry. So we have got to figure out a way to get that done, and I thank you for this hearing.

Senator MIKULSKI. I thank you very much, Senator Clinton. When we were up in Buffalo, I remember what the people said. They were worried that they were going to have to leave their home to find a job. I remember you saying to them in that wonderful Polish restaurant that Sunday morning, "You should not have to leave home to be able to have your job."

What has happened is that the jobs have left home and have gone overseas.

As we conclude this panel, you make excellent points, Senator Dodd, Senator Wellstone. Where there is something deemed in the national interest, we provide help. So for example, we believe it is very important that we have agriculture in this country. Therefore, we support the farmers. We are looking ahead to providing a farm subsidy of about $8 billion a year. I support that, because we need to have our farmers.

But there is more than one kind of producer. There is more than one kind of producer to keep America strong and independent. So $8 billion every year to farmers for at least a decade, which I support—I am not talking about pitting one group of working Americans against another; that is not right—but if we can do agriculture at $8 billion for 10 years, let us try to do $10 billion for steel once. Then, after the horrific events of September 11, when our airline industry was on its knees, the United States Congress passed a bailout of the airline industry to the tune of $15 billion. And do you know what—I voted for it. It was the right thing to do, because we were in a national crisis.

But we are now in a national crisis with steel, and it is important to the men and women at this table, but it is also important to our national security, that steelplating was made at Bethlehem Steel, one of the last to be able to do that.

So I think there is precedent for when something is deemed in the national interest, we are ready to put up. So I think this is very important, and we want to thank this panel. We could talk with you all day. I just want to make the point, though, that the majority of you are from Bethlehem Steel. They were close, so they could come, and many people took time off at great inconvenience for the rally. They want to be able to have representation, and they are here, and it was really the United Steelworkers Union that helped us find the folks and Senator Wellstone. So we want to thank you. Even though it is Bethlehem Steel, it is really everybody.

We want to thank the panel. You are welcome to stay. Thank you very much, and God bless you. We are on your side.

We are now going to turn to Mr. Robert Steve Miller, the chief executive officer of Bethlehem Steel. Mr. Leo Gerard will also be joining us. He had to step out but will be back in just a very few minutes.

Mr. Miller is known as, really, a bailout, turnaround artist. He often comes in when companies are in financial crisis. He has been at Morris and Knudsen, and he is on several boards of directors. He is here to see what he can do to turn Bethlehem Steel around, but he knows that he cannot turn Bethlehem Steel around, because our solutions are not company-specific, but have to be industry-specific.

We are very pleased to have you here. And then, of course, we want to welcome the head of United Steelworkers of America, which is both here and in Canada. Leo Gerard is the son of a union miner, born in Ontario. He works for his union, he fights for his union, and we certainly look forward to hearing his testimony today.

Mr. Miller, why don't you start?

STATEMENTS OF STEVE MILLER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BETHLEHEM STEEL; AND LEO W. GERARD, INTERNATIONAL PRESIDENT, UNITED STEELWORKERS OF AMERICA, AFL-CIO

Mr. MILLER. Thank you, Madam Chair. It is a pleasure and an honor to be here to address the committee and also an honor to be seated next to my good friend, Leo Gerard. We have been working closely together on helping the steel industry get through this crisis.

The domestic steel industry is suffering under devastating economic conditions. These conditions are the direct result of the severe injury caused by the extraordinary volume of disruptive and unfairly traded imports that have inundated our shores since the 1970's. The most recent surge of imports began in late 1997 and has forced 32 domestic steel companies, including Bethlehem, to declare bankruptcy.

In response to overwhelming evidence of the injury done to the domestic industry by imported steel, the ITC recommended, and last week, President Bush implemented, safeguard tariffs on most flat carbon steel products.

We appreciate the efforts to bring about this decision that was made by you, Senator Mikulski, and you, Senator Wellstone, and many of your colleagues who attended the rally and did many other things to encourage this decision.

The effective implementation and enforcement of the President's safeguard tariffs is essential to the recovery of the domestic industry, but as you have observed, it by itself is not enough. Equally necessary is Federal Government assistance in solving the legacy problem, that is, the obligation to pay benefits for steel industry retirees and their dependents.

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 for the domestic industry as a whole. But unfortunately, one of the major and unavoidable consequences of the efforts of companies such as Bethlehem Steel to respond to changes in the marketplace is that our ratio of active to retired employees has deteriorated dramatically. To date, 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 130,000 people, including about 95,000 retiree beneficiaries. This means that for each active employee, Bethlehem provides health care coverage for more than seven retirees. By comparison, on a national scale, there are currently three wage-earners for every Medicare beneficiary. In other words, our ratio being the reverse of seven-to-one is 20 times worse.

In 2001, Bethlehem's total cash costs for health care and other insurance amounted to $300 million, and it is growing. We expect this expense to grow significantly as a result of prescription drug price increases, 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 about $2 billion. It is liabilities such as these that constitute the major barrier to the necessary consolidation within the industry.

Why should Government feel any responsibility to intervene on behalf of integrated producers, rather than simply allowing market forces to work their will? In summary, we would cite three important reasons from Government action. First, foreign governments and foreign companies subsidized by them, 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 significant role in creating the current situation. Our Government has done much to promote economic growth in Russia, China, Korea, and other steel-exporting countries over the last decade and before. Many of these countries decided to focus on steel production as a major export product, exactly as Japan did in the 1950's. Thus, whatever public benefits 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 going all the way back to President Truman have actively intervened during labor contract bargaining sessions in the steel industry.

Third, the cost of meeting the health care needs of the enormous and unanticipated number of retirees and dependents is preventing normal, market-driven consolidation in the industry. As a practical matter, potential buyers of companies cannot purchase a distressed steel company because of the existing retiree obligations that would have to be assumed. We are like a $100,000 house with a $500,000 mortgage—you cannot give it away.

The alternative is the bankruptcy process, and without an active Government role in the financing of legacy costs, this will lead to more nightmare scenarios like that at LTV and result in hundreds of thousands of retirees, spouses, dependents, and widows who will lose their health care and other retirement benefits.

Bethlehem is committed to working with Congress to craft an appropriate response that would involve the industry, labor, and Government, all working together. However, Congress must act quickly, or the opportunity will be lost to help resolve this issue.

The Government can and should assist the industry in dealing with legacy cost. America needs a viable steel industry. There will be further consolidation occurring in the domestic industry, and with Government help, this process can be fair and orderly, it can reduce the possibility of massive short-term job losses and help prevent the destruction of a critical basic industry.

I appreciate the opportunity to appear before you today and would be glad to answer any questions you may have.

Senator MIKULSKI. Thank you very much, Mr. Miller.

[The prepared statement of Mr. Miller may be found in additional material.]

Senator MIKULSKI. Mr. Gerard?

Mr. GERARD. Thank you very much, Madam Chair, Senator Wellstone.

Before I start my testimony, I want to take the opportunity to introduce some individuals who are sitting in the back and to also compliment the panel of steelworkers and steelworker retirees who were here just preceding us.

As you noted and every other Senator noted, there are literally hundreds of thousands of people in that same predicament, all of them just as passionate and articulate and just as deserving of help.

But sitting in the back as Carl Dillinger. Carl is 51 years of age, from Harrisburg, PA. He is married and is the proud father of five children, three of them still living at home. Carl has 28 years of service. He is a third-generation steelworker at the Bethlehem Steelton plant. The Steelton plant, by the way, is the last major rail producer in America, and because of the financial crisis has not been able to produce the next generation of highspeed rail. So if we want a highspeed rail system in America, we will probably have to get it from outside of America.

Norma Gaines is 48 years old. She is from Granite City, IL. She is an industrial electrician, a wife, a mother and a grandmother. She has 25 years' seniority. Her husband Gary also works at Granite City Steel, and he has 29½ years' seniority. He takes medication daily since his heart surgery, and Norma is also on medication that she must take daily. Her company, National Steel, recently went into Chapter 11. Gary and Norma would lose everything that they have worked for over almost 30 years.

Frank Hodgkiss is 53. He has been married for 30 years to his wife Ruth. He has kids, both in college. He has worked at Bethlehem Steel for 29 years. Frank lost his job in the mid-eighties during the downturn in the steel industry, and he went back to school under a TRA program and received a 2-year degree in electronic equipment. I would say that the economy then was a little bit better than now, but even then, the best job that Frank could find after receiving the degree paid $7 an hour and had no benefits.

Charlie Olson works for Hibbing Taconite. He is a 55-year-old maintenance mechanic who has worked in the taconite mines for 32 years. If Charlie loses his job in the taconite mines, in that area of the country, for every taconite worker, there are 3.5 spinoff workers; so when Charlie loses his job, probably his neighbor, his neighbor, and his neighbor will lose their jobs. And Charlie has no other industry in his area to pick up the slack.

Last but certainly not least, Adrian Pinner. Adrian is 45 years old and has 25 years of service. Without legacy cost legislation for the collapsed steel industry, she will lose her medical benefits for herself and her family. In addition, due to her age, she will not be eligible for a pension until age 65. She would have 20 years to wait before she could get a pension and would have 20 years with no health care benefits. Her company went into bankruptcy on March 6, being the 32nd steel company in bankruptcy in the last 18 months.

Senator MIKULSKI. Thank you, Mr. Gerard, very much for introducing them.

Mr. GERARD. I feel an obligation to point out that this is not an issue of simply restoring the viability of the steel industry, as important as that is; this is also a human tragedy that is not of our making and not of the industry's making, but has really been allowed to happen by our Government.

In the last 4 years, as you have heard, it has been devastating. Thirty-two steel companies have filed for bankruptcy, nearly 30 percent of U.S. steel capacity. Seventeen steel companies have shut down. Twenty-one steelmaking plants are idled. Fifteen are the so-called mini mills—and like you, Madam Chairperson, I get pretty irritated when the cafe latte crowd from The Wall Street Journal and The Washington Post continually do not understand the steel industry or ignore the basic facts. This is not a problem of simply the Bethlehem Steels and the National Steels. This is a problem that is going to cross industry lines, whether it is electric arc furnace so-called mini mills, whether it has been union or nonunion, whether it has been integrated or nonintegrated. This problem has devastated the whole of the industry.

We want to say that we were comforted a little bit when President Bush stepped forward and announced that he would take some kind of action between 8 and 30 percent. But as Senator Clinton pointed out, the 30 percent is for 1 year. After 1 year, it goes to 24 percent, and after one more year, it goes to 18 percent. And in that process, we have a terrible disappointment in what was done to the semi-finished or the slabs, which is directly related to the taconite industry. In fact, the benchmark year that was used is a benchmark year that has given virtually no relief on semi-finished and therefore no relief to the northern part of Michigan and Northern Minnesota and the taconite industry. For that, we have at least 10,000 people whose jobs are at risk as well as their health care. But we do have some breathing room.

The shutdowns that I have referred to have already eliminated health care benefits for 20,000 active employees and over 100,000 retirees. Those retirees' independence, 85,000 of which will lose their health care, two of which are in the group that I introduced, and others were here on the earlier panel—they will lose their health care at the end of March.

The retiree health crisis in the steel industry has its origins in the industry's modernization and restructuring in the 1980's. Between 1980 and 1987, 42 million tons of capacity in that period of time and over 270,000 steelworker jobs were eliminated. Much of that capacity reduction was supported and encouraged by the Government. And as Mr. Miller and others have said, while we were reducing our capacity, Government policy was encouraging other nations to increase their capacity.

On average, each company has three retirees for each active, but some companies like LTV Steel have six retirees for every active. Another 700,000 active steelworkers and their dependents rely upon the domestic steel industry for health care benefits. At the end of 1999, America's steel industry and retiree health benefit obligations totalled $13 billion. Health care benefits for 600,000 retired steelworkers' surviving spouses and dependents annually cost domestic steel producers an estimated $965 million, or roughly $9 per ton of steel shipped.

The Steelworkers Union is proud of its record of negotiating decent pensions and health care coverage for active and retiree workers. During the early 1990's, our union negotiated the establishment of a trust fund which you heard about earlier and mechanisms to begin prefunding retiree health care obligations. Unfortunately, not enough time passed from the time we started those negotiations to build large enough trust funds to pay off those retiree health care obligations.

The benefits provided to our retirees are equivalent and in some cases more modest than benefits provided to retirees from other basic manufacturing companies. I want to say that I also take personal offense as well as institutional offense to the characterizations of our members as being somehow slackers or receiving benefits they had not earned or benefits which were overly lavish. In fact, those benefits, for the purposes of everyone who will notice, are no more superior than the benefits at Alcoa—there is a distinguished Government official who was once an employee of Alcoa—Boeing, General Motors, Ford, Chrysler, and many other major industrial corporations. Yet steelworker retirees pay premiums, deductibles and copayments that range from 25 to 40 percent of the cost of retiree health care benefits, some of which you heard about in the earlier panel.

The USWA estimates that the average major medical premium—I want to make sure that I stress this—the average major medical premium during the year 2001 was approximately $200 per month for non-Medicare-eligible couple and $150 for a Medicare-eligible couple. In some cases, these monthly premiums were as high as $537 for a non-Medicare-eligible couple and $214 for a couple eligible for Medicare.

American steel's international competitors do not bear a similar retiree health cost burden. In one form or another, foreign producers' retiree health care costs are offset by their government subsidies. American steelworkers now stand to be hit twice—I would say they stand to be hit three times—by the collapse of the steel industry. Three hundred fifty thousand steelworkers were forced out, many prematurely, into early retirement during the restructuring of the 1980's and 1990's. First, they lost their jobs before they were ready to retire. Now, they may lose their health care and a significant portion of their pensions when they are ready for retirement.

I would argue that there is possibly a third loss. There will be a loss where people in order to protect their health will have to sell their homes, or their children will not go to college, or some other family event will have to be put off.

Because our Government has allowed an unlevel and unfair trade environment to develop and consumer our industry now for almost 30 years, the Government now, we argue, has a responsibility to steelworkers and retirees and to our steel industry to help craft a solution.

Why is action needed? Retirees under age 65 and older active employees who have been displaced by plant shutdowns are not yet covered by Medicare—and you heard from some of them today. They cannot purchase COBRA continuation coverage because companies are not obligated to provide COBRA when they no longer maintain a health care plan for employees actively at work—and even if they did, most of them could not afford it. They cannot afford those COBRA premiums, as we heard. They cannot afford commercially available health insurance coverage. Many cannot meet insurability requirements, as you heard from some of the earlier panel members. Imagine trying to go buy that level of insurance with the level of disability that some of our members have from 30 hard years in a hard industry.

Why is action needed for retirees over the age of 65? Because Medicare has significant gaps in its coverage. There are significant deductibles and copayments, and there is no coverage for expensive outpatient prescription drugs. And these workers, quite frankly, were promised a trust.

I would again remind this panel that these corporations were meeting that obligation until this steel crisis drove 32 of them into bankruptcy. The average retiree receives a monthly pension of less than $600 to $700 a month. Most surviving spouses, as you heard from Gertrude, receive benefits under $200 a month. Most of their husbands were forced into retirement in the 1970's, 1980's, and early 1990's.

Let me just comment that the President's or the administration's recent proposal for a Medicare prescription drug card offering a discount of 10 to 25 percent for retail drugs will in no way solve our problem, and in fact, many of us have already negotiated similar discounts through our ability of having a major carrier and a major purchaser like Bethlehem Steel.

Low-income drug assistance is limited to people below 150 percent of the Federal poverty level. That is an individual with an annual income of $12,000 or a couple with a combined annual income of $15,000. In fact, more than half of Medicare beneficiaries would not qualify for low-income drug assistance.

We hear that the administration is also considering tax credits as a device for helping the uninsured. Under this proposal, a refundable tax credit of $1,000 to $3,000 depending on family size would be made available to individuals without employer-provided health insurance. The problem here is that the tax credits are too small to in any way make health insurance affordable.

We believe that pensions and health care commitments made to steelworkers, and made over a period of 30 years, are trusts that need to be maintained.

Let me close by saying, Madam Chair, that I tremendously appreciate you taking the initiative and taking the lead to put this issue front and center. I cannot begin to tell you—and I sometimes have to fight back tears when I got to these communities and hold rallies, and I meet with retirees before or after.

I was recently at an event where one of our retirees got up and said he was going to lose his health care at the end of the month, and he was not worried about himself. He is 74 years old. He said, “I am not worried about me. I am worried about my wife. She is halfway through a chemotherapy that I cannot afford. What am I going to do, and what are you going to do to help me at the end of the month of March?”

I am not embarrassed to tell you that it was the longest hour-and-a-half drive home I have ever had in my life. That could be my dad, or someday, it could be me. We have a higher obligation, in the richest country on Earth, than to leave people who have given everything that they can give to this country, have made this the most modern and efficient steel industry in the world—and again, the cafe latte crowd can never seem to get their facts right—this is an industry that can produce steel at the lowest man-hours per ton, the lowest emissions per ton, the lowest energy consumption per ton; we improved productivity by 180 percent, and we are the most effective industry in the world—but we cannot compete when everybody else is not playing by the rules and we are the only ones who are.

We are counting on you, we are counting on the members of this committee, we are counting on a bipartisan Steel Caucus in the Senate and the House—we are counting on you to save these 600,000 retirees and their dependents as well as saving the industry. They deserve no less from their Government after giving their whole lives to this country and this industry.

Thank you very much.

[The prepared statement of Mr. Gerard may be found in additional material.]

Senator MIKULSKI. Thank you very much, Mr. Gerard. The testimony of both you and Mr. Miller has been stunning—32 companies in bankruptcy through no fault of their own—32 companies. This is a national emergency. I believe you have set a time line, and you, Mr. Miller, have been very direct about a time line. The clock is ticking here.

I will hold my questions and turn to my colleague, Senator Wellstone. Why don’t you go first, Senator, and then I will ask some wrap-up questions.

Senator WELLSTONE. I appreciate it. I want to thank the chair for her courtesy. I am supposed to debate an amendment I am doing with Jim Jeffords, so I am due on the floor.

First of all, for President Gerard, I appreciate your conclusion, and I would add to the legacy cost issue again the other issue, which is looking at Northern Minnesota. The people who are out of work are not 65 yet—they are in their 50's—but they cannot afford any health care coverage. They are literally falling between the cracks, and the question is what happens to them. That is exactly the question that you raise, and I just cannot believe that we do not live in a country that is good enough to do something about that.

And I would say to you that maybe ultimately, the way to go back to legacy cost, which is of such direct interest to both the union and the industry, it may be that you will have to pull of the same thing you have done before, and we might have to have the same kind of grassroots politics and activism from all around the country again, just like you did it last time.

Before asking questions, I want to also recognize Charlie Olson and thank him for being here. Between Charlie and Jerry, I am reminded very clearly what this is about.

President Gerard, I want to go back to a question I asked Jerry. We are hearing already before the ink is even dry on the President's decision that already, countries are looking for more exemptions from slab quotas, and I have in mind particular Brazil. Don't you think we need to stop this in its tracks, and if more exemptions go through, won't this heap even more damage on an already beleaguered taconite industry?

Mr. GERARD. Look, I feel very strongly. Let me just say that the position that the President articulated through the tariff remedy is a flashlight at the end of a very dark tunnel. It is far from what we believe needed to be done. The reason the union advocated 40 percent over 4 years is because we were convinced from our dealings with the company and the companies that that would give us sufficient time to rebuild the capital base, to modernize the industry, and to do a consolidation.

A quota tariff, or a tariff rate quota—however it is pronounced—that reduces by 20 percent a year and with regard to semi-finished, increases by 20 percent a year, to a total of 7 million tons, does not guarantee that the industry will have the time it needs to rebuild its capital base. And in the semi-finished area, in particular with the taconite industry, I believe it puts the whole taconite industry at risk and is wholly inadequate.

I think we need to continue the fight. We are consulting with our folks, and we hope to be able to consult with members of the Senate Finance Committee and Members of the Senate and members of different companies, and where we need to, we are going to continue to use U.S. trade law, we are going to continue to file complaints, we are going to continue to watch. And if we let Brazil in, to be blunt, it turns a possible safety net into a sieve—or it turns it into Swiss cheese.

I was promised in a private discussion that there would be monitoring, that there would be licensing, and that there would be a limit on exclusions so that the tariff that was put in would actually be the tariff that was applied. So if we start having exclusions, pretty soon, everything will be excluded, and the tariff will be nothing more than a political flag. We do not intend to let that happen.

Senator WELLSTONE. Let me ask both of you a quick question and then a final question for Mr. Miller, and I will do it quickly.

Maybe you could both spell out, as labor and business, what you would consider to be the key ingredients of legislation—I have a bill, others have bills—that you think would be the most effective response to legacy cost.

Mr. GERARD. I will let Steve answer first so I can add on to what he misses.

Senator WELLSTONE. OK. Mr. Miller?

Mr. MILLER. Our most pressing need is on the health care side for our retirees, and it starts with the fact that we have so many retirees for every active worker. That is where the problem principally lies.

There are two big issues with medical care. Some observers say, "Well, Medicare is out there. Why doesn't that solve the problem of your retiree health care?" The two big gaps are that, first, many of our retirees are those who have put in 30 hard years in the steel mills and have retired and still are not age 65 and therefore are not Medicare-eligible. Therefore, we need to consider pulling ahead the eligibility to cover these people.

Second, what was not contemplated was the explosive growth in the pharmaceutical cost for retirees; that used to be a trivial or a small amount, and today it is getting to be a very large amount, and it is totally outside. So even after you hit Medicare, you still have the pharmaceutical problem.

Those are the two big gaps that need to be filled in that we just do not have the financial capability to see how we are going to do it.

Mr. GERARD. I tend to agree with that, that there are two slices to the pie. There is the pre-Medicare-eligible, and that group is extremely, extremely vulnerable because of the things that you heard from those who were giving evidence. Most of them could not afford to buy private insurance, and they certainly could not afford COBRA. The other is that there are the gaps in the post-Medicare that I outlined.

The opportunity here is that, as I understand it, the OECD, the steel-producing nations, have a consensus that we have heard about all over Europe; we just have not heard about it in America, that they would not pursue WTO complaints if countries took the opportunity to protect what they call "the social costs of consolidation." I for one believe that there should be a consolidation of the steel industry, and it should be consolidated with an American company. I do not believe that we should just let this happen willy-nilly through a series of Chapter 11's and Chapter 7's.

So that any step, I think, should be a targeted program that would be targeted to the steel industry because of the urgency of the crisis. I think that there is a model that could be used—and I do not want to say that this is the model, but it is one that could be used as a benchmark—this is the Coal Act. We could take that and redesign something that would affect the steel industry.

I am led to believe that the tariff remedy in the first year would bring in about $1.4 billion. There is some money that could be used as seen money to start a process to do that.

So those are the kinds of things that we want to work on with anybody and everybody who will work on it. I greatly appreciated Senator Specter dropping by, because I really believe, as Senator

Mikulski and you have stated, Senator Wellstone, that for us to succeed, it has to be bipartisan. But anyone who does not want to step up to the plate can certainly assume today, going forward, that there will be grassroots events, and every time one of our members has to sell his home or cut off his chemo, we are going to have a press conference in somebody's congressional district.

Senator WELLSTONE. I thank you. In the 20 seconds remaining, this is not so much a question, Mr. Miller, but more of a plea to you. I understand that you have a facility in Chicago where you process our iron ore into finished steel products, and my request is please do not replace that iron ore with the imported slab. And moreover, as the economy gets better and things go better, I hope that you will even pick up further on your purchase of iron ore. Again, we have always been there for the industry, and we want you to be there for us. I am not going to put the "yes" or "no" but I think you know what I am saying to you.

Mr. MILLER. Yes. We have a joint venture investment in the iron ore mines, and we intend to keep them going.

Senator WELLSTONE. I appreciate that.

Thank you, Madam Chair.

Senator MIKULSKI. Thank you, Senator Wellstone.

Mr. GERARD. If I could, we have an 18-page slide presentation that hopefully will be made part of the record that you could distribute to everyone.

Senator MIKULSKI. I ask unanimous consent that it be included in the record, and we will take steps for distribution.

Mr. GERARD. Thank you.

[Information referred to was not received in time for press.]

Senator MIKULSKI. Also, Mr. Miller, you had a document from the steel industry, and I ask unanimous consent that that be entered fully in the record. I know you made the three major points.

Mr. MILLER. Yes. Thank you, Madam Chair.

[Document referred to was not received in time for press.]

Senator MIKULSKI. Let me now turn to my questions. I have some for you, Mr. Miller, and then for you, Mr. Gerard.

Mr. Miller, you are known as "a turnaround guy." You did it at Chrysler, and you have done it at other companies, and you have been very straightforward on where we are at Bethlehem Steel. Tell me for the record and for the committee what you think it will take to turn around Bethlehem Steel and what is the turnaround necessary to happen at the steel industry for there to be the viability. We know it is legacy and so on, but what is it specifically?

Mr. MILLER. First, in the most general terms, as I have come here to Bethlehem Steel just recently, 6 months ago, I bring with me the playbook that I learned under Lee Iaccoca's tutelage at Chrysler, and most basically, that was to solve a major industrial crisis, to get business, labor, and Government working together. And I cannot think of a better symbol of that than right here this afternoon, with myself, with Leo, and with you sitting here, trying to solve this problem. So thank you for your leadership in that effort.

Specifically with respect to the steel industry, we are in a way, ironically, the victim of all the strides we have taken to become so productive. It now takes far fewer workers to make a ton of steel than ever before, but we are left with the history of when it was a much more labor-intensive activity, and now we owe it to those people who gave their lives for steel and for our country to take care of them the way they were promised, and not to allow those promises to be destroyed by the unfair imports.

So we have two problems. Half of it has been solved temporarily with the tariff relief. It gives us some breathing space to try to address this responsibly. But if we are going to have an orderly consolidation of this industry, then we need assistance from Government on legacy.

I would just point out that in other areas of the world—if you look at Europe, they are now down to three major, giant steel producers. In Japan, they are coalescing into two major consortia. In Korea, there is one major producer. The reason why the industry is structured that way is that there are economies of scale; it is the economic way of making steel. But here in this country, we have 50 small, fragmented companies.

Leo has been a giant supporter of trying to bring these companies together to get economies of scale and provide a more secure place for his members to work, and the reason we cannot do it is because you cannot have orderly mergers as long as you have an unrelieved legacy problem.

We need your help, and we will carry it from there.

Senator MIKULSKI. Well, let me ask about the help, and then I am going to turn to Mr. Gerard. We have the temporary tariffs, and that is what I keep emphasizing. Again, when you read the stories, they call these tariffs, and with all the handwriting going on around the world, you would think that we had slammed the door shut on America and become "fortress America" in terms of imports coming into our country. The President is very specific—they are temporary, they are time-limited, and they are already gradually phased out. I think we need to make that point.

Let us go to the legacy cost, and I am going to use the term "big steel," meaning both Bethlehem as well as the other major companies viable for consolidation. Do you have an estimate of what you think it would cost the Government to do this bridge—and I am not going to call it a "bailout"; it is really a bridge to the future—and would we have to do it every year?

Mr. MILLER. Well, there have been a variety of estimates. It depends on how many companies the relief would apply to and so on. But for talking purposes, a long-term number of $10 billion is in the ball park—but that is not the one-year number, mind you; that is the expense that needs to be borne over the next several decades or however many years long the retired work force would continue to live and need this assistance. It is not something that you have to pay right up front.

In the case of Bethlehem Steel, our annual retiree health care bill is about $200 million a year, and if you take that to the whole industry, we had estimated before that with a strong tariff remedy, you would have enough revenue coming into the Treasury for the years that that tariff would be in effect to entirely take care of the retiree issue of the troubled steel companies in America. So it would not be a budget-buster.

Senator MIKULSKI. But you are saying that by collecting the tariffs, if it went into a fund, it would essentially pay for what we call the infrastructure or the bridge.

Mr. MILLER. Yes. Those tariff dollars start arriving soon. Next week, I think, is the start date for the tariff program.

Senator MIKULSKI. So one of the possible areas of legislation would be to create a pool, rather than the tariff money going into the general treasury, God knows for what, at times. It could go into a designated pool, almost like a compensation pool, for the jobs lost.

I remember when steel was here, your predecessor, Mr. Hank Barnett along with others and the union, were here at kind of a forum like this with the Steel Caucus, and they warned about these fire sale prices that were going on in Asia and in Russia. Now they are our new allies in fighting terrorism, and we welcome that, but they really were, to solve their domestic problem, illegally dumping these products here. So the warnings were loud and clear by your predecessors.

The $10 million that you talked about as a general estimate——

Mr. MILLER. A long-term number.

Senator MIKULSKI. [continuing]. A long-term number—what you are saying, though, is that what you, meaning steel, would look to from the Government would not be a one-time-only block grant to go somewhere, but some other, smaller amount.

Mr. MILLER. Much smaller.

Senator MIKULSKI. Do you know what that would be annually for a period of time?

Mr. MILLER. I will get back to you with that number, but we had originally ball-parked it at about $1 billion a year for starters, and it is one that diminishes. As the retired work force who are pre-Medicare age hit Medicare age, the number begins to go down. If the Government installs a generalized pharmaceutical program for seniors, which you have said you are going to fight for, the cost also for taking care of steelworkers uniquely would similarly go down. So it is a number that is likely to diminish over time.

We will get you that study.

Senator MIKULSKI. What I would welcome from the steel industry would be what it would be and for how long as the bridge to get people to Medicare. That is what you are talking about, the bridge to get them to Medicare.

Mr. MILLER. Yes. Remember, the bridge to Medicare and we need the pharmaceutical benefit. That is the other crunching cost.

Senator MIKULSKI. And you see, this is my argument. I have colleagues—if you would just bear with me for a moment—I have colleagues who say, “You cannot just do this for steel.” The fact is we are not talking about doing it just for steel. When we are talking about the human, compelling need for a prescription drug benefit, it is for everyone. It is for the farmers I spoke about, it is for all retirees because of what we now know.

It is true that pharmaceutical costs have exploded, and that is another dynamic, but the fact is it keeps people alive, it keeps people out of the hospital, and it keeps people on the job. When you listen to Jeff Mikula and the kinds of problems he had, he would have been out and taking disability years ago without the medication that keeps him fit for the job.

So this $1 billion a year does not seem like a very onerous——

Mr. MILLER. We will get you the more precise number, but the other part I want you to remember is that if we fail, and if Bethlehem goes into liquidation, like what we have just seen happen at LTV, a couple of things—one, our retirees and their pensions will become the direct responsibility of the Pension Benefit Guaranty Corporation, and to the extent we have this shortfall in our pension funding, that will become a direct cost to the taxpayers of America through this pension program. And second, the notion that our retirees who are unable to keep up with finding health insurance would not turn themselves over to State welfare agencies and so on for assistance—you have to also take that into account.

So the question is not what might be the direct cost of the program, but what alternatively is going to inevitably be the cost to the Government anyway, in the absence of this action.

Senator MIKULSKI. Where people lose everything; yes.

I want to come back now an ask Mr. Gerard to jump in. But your point is that if you would have to liquidate and therefore terminate the benefits, the pensions are by and large covered under Pension Guaranty, but again, that is a taxpayer safety net—I know you have contributed. But we are going to pay; the taxpayers are going to pay. And then, essentially, with the thousands of people you have talked about—again I ask about Jeff, whether he could find a job or whatever—going to State agencies—and may will not, because people own a home, they have some CDs—they would have to go through a spend-down in which they would have to spend down their life savings and usually end up with a lien on their home to qualify for this. This then pushes the family to the brink of bankruptcy because the company has gone bankrupt. That is not the way we have to go here. We just cannot go this way.

Mr. MILLER. Senator, there is one other thing I would say to you. When your colleagues ask you how can you contemplate doing something for steelworkers and not at the same time do something for every other industry, one thing we have in the case of steelworkers is a six-to-nothing finding by the International Trade Commission that we have had injury due to unfair import competition, and that makes our steelworkers unique victims. We have a remedy that is providing revenues to the Treasury, and the combination of those two makes steelworkers stand out differently and I believe eligible for a unique consideration.

If it is better done in the context of a more generalized industries-in-transition solution, I leave that to you; that is your job as to how best to get about this. But as to whether steelworkers deserve this, I think it goes without question.

Senator MIKULSKI. Thank you.

Mr. GERARD. I just want to compliment Steve for that last comment, because there is every reason that the Nation should do something for everyone. I actually believe that there ought to be a single-payer health care system, and I do not believe that health care should fall on the backs of employers and be an employer-based system—but that is for another day. We have made the case, and I would only add one other piece to what Steve said. We made the case through a Commerce Department report that has been endorsed by both the previous and current administrations that documented 30 years of "market-distorting trade practices by our trading partners in steel."

Then we made the case unanimously, one of the few unanimous decisions to ever come out of the ITC since its creation; and then, we made the case to the President that there should be some form of tariff relief, and it is not the tariff relief that we were hoping to get, but it is a flashlight at the end of the tunnel. That tariff relief is going to generate revenue to the general Treasury of America. It would be a tragedy if that revenue——

Senator MIKULSKI. I just want to say to my staff that we need to get the estimate on that revenue.

Mr. GERARD. Yes. We have that, and we would be happy to give it to you. Our trade lawyers are working on it, and when I get back to the office, I will put it in the mail to you.

Senator MIKULSKI. Terrific.

[Information referred to was not received in time for press.]

Mr. GERARD. The last piece of that is that it would be a tragedy if that revenue to the general Treasury was not used to take care, at least in the initial phase, of the victims. This is literally a victims' fund. This is not a bailout of the bosses, by the way. That is also for the cafe latte crowd. No one is asking you to bail out the bosses. We are asking you to take care of the victims of illegal trade.

Senator MIKULSKI. That was very well-said. You have heard me say consistently throughout this hearing that there are those who talk about these lavish, goldplated benefits. We have heard, of course, from the people who were here earlier about those benefits. Do you want to talk about that?

Mr. GERARD. Sure.

Senator MIKULSKI. In fact, I know you want to talk about it. I invite you to tell me, Mr. Gerard, as president of the Steelworkers of America and representing Canadian workers, are these benefits goldplated?

Mr. GERARD. Absolutely not. To try to put it in perspective, the reality is that 52 percent of the people who are currently on retirement were retired involuntarily as a result of the modernization and the closure. The benefits that our members have are similar to the benefits that most major U.S. industries have. They are inferior, let me say, to the benefits that Alcoa workers have, which we proudly negotiated as well. Part of that is that it has been extremely difficult for the last 10 years to make improvements in the benefit package, because for the last 15 years, companies in the steel industry have been fighting continuously against import surges and plant closures and so on, and actually went through a 3-year period in the last 10 years where they were in some ways replenishing their capital base.

Senator MIKULSKI. So that was part of the way you cooperated with them in terms of what we could call viability. When they kept saying we need concessions, we need cooperation, when you really looked at how to—I know that, again, meeting with the guys from Bethlehem, they were always looking for ways to be more efficient, kind of tips from the mill—and what you are saying is there was a kind of foregoing——

Mr. GERARD. One of the things that we have had to wrestle with in the last 15 years is the industry's inability to generate sufficient ongoing cash so that when we got to the bargaining table, we would generally forego wage increases for benefit protection, and we would forego wage increases to try to enhance pension plans so that people could retire with some dignity.

Steve's point is exactly right. Part of the catch-22 in America is that as you modernize your industry, and you create an environment where you can produce more steel with fewer people, and people can exodus with some dignity and some pension protection, the whole issue of health care falls on the employer, so as you become more productive, you end up with more people who retire, and you end up with more obligation for pensions, which puts more pressure on us to keep our benefits modest.

That is one of the reasons why Alcoa's benefits are substantially better than the steel industry's benefits, because they have not had to deal with that consolidation. They have gone out and bought up the rest of the industry.

Alcoa has been able to consolidate the rest of the domestic aluminum industry because they have not had to deal with the issue of legacy cost.

Senator MIKULSKI. That is an excellent point.

Mr. GERARD. I am using Alcoa very deliberately.

Senator MIKULSKI. Yes, I know, I believe because Alcoa's former president and executive director is now in a very important position in our Government.

What is the timing? You used the term "the end of March." I am concerned that there might not be the sense of urgency in the Congress that is really required. I am very concerned about that.

Mr. GERARD. I think there are two time lines, and clearly, there is in excess of 100,000 people whose benefits will expire at the end of the month of March. Many of those are pre-Medicare-eligible, so they will have zero health care. I feel for them and I also feel for their communities, because Senator Wellstone knows that up in the Iron Range, when the LTV mine closed, those workers are not going to find jobs of equal value; they will not be able to buy COBRA, they will not be able to buy private health insurance, and they will be in the most tragic situation that a person who works all his life could find himself in. They will literally have to choose between their health and their future.

If we go to Cleveland, which is in an equally tragic circumstance—school boards are cutting back, the City of Cleveland is cutting back its police force, its municipal workers, the school system is in disarray, the health car system is being cut back—and when the people there lose their health care, roughly 40,000 people in that regional area, I do not know what will happen to the public health care system, the community hospitals. They may get overloaded, because that is the only place people will be able to go.

So to Steve's point that unless we find a way to step in and help those people, society will somehow have to bear the cost, but it will be at a cost that dismantles our set of values as a Nation. So the sense of urgency is profound.

Senator MIKULSKI. It is going to be crushing on communities. People are going to go into the emergency rooms. If you are a diabetic, like Ms. Misterka—my mother was a diabetic—you have got to take your insulin, you have got to have your medicine. This is lifeline. This is not an option. It is not an option.

Mr. Miller, what is the time line from your perspective?

Mr. MILLER. On the time line, to continue with the sense of urgency I have talked to you about before, as I said, we would have to make our decisions and get on with it by the end of March, and that is what we are doing.

Based on the President's decision on tariffs, which gave us breathing room but the absence of any clear direction on legacy cost relief, we have abandoned what we called Plan A, which was the grand merger with United States Steel and with several other companies to create a strong, healthy company, which was Leo's version that I shared, we have said that we cannot wait for that; we need to get on with something else.

We have studied putting together a number of the bankrupt companies to see if we could make two plus two equal five; again, we decided that would not work.

We are now on to what we call Plan C, which is a series of joint ventures where we will take each of our facilities, find the strongest, most logical partner that can bring capital and market access and technology to improve the success of those enterprise and hope that at the end of the day, we have enough left over to try to keep up with the needs of our retirees. And unless you help us, we will fall way short of meeting the needs of our retirees.

There is one other point I would like to make. We have just seen at LTV what is the value of a dead, cold steel plant. All the facilities of LTV, the third-largest integrated steelmaker in America, were sold to an investor named Wilbur Ross for $80 million. That will barely pay the legal fees of the bankruptcy process, and it leaves nothing for the former workers of that facility. And that is an American industrial tragedy, both the loss of the industrial asset that we had as well as the tragic impact on the retirees. And I do not know what can be recovered in that situation.

I have been working night and day to avoid that result happening at Bethlehem Steel. I want to make sure that our operating facilities are placed in safe hands before they go cold to take care of our active workers, and then to do it in a way that I can reasonably take care of the needs of our retirees. Whatever it is will fall short of their full expectations, but anything you can do to help will help us make America's promise back to them.

Senator MIKULSKI. Well, let us conclude by talking about that. Let us talk about our time line along with your time line. That is pretty dramatic, and I was glad that we had someone speak today from LTV.

Congress will adjourn for the Easter/Passover break. They will do that next Friday. When we get to March 31, as Mr. Gerard mentioned, the end of March, which is Easter Sunday, Passover season, we will be out. We will be back on April 8, which means that we are going to be in our States; it is a good time to talk to members, and I would encourage you all to do what you have been doing in communication.

Also, Senator Dodd's presence was really most welcome—this is not only about those of us who are in steel-producing States. All of America is affected, and we would hope that members could be talked to.

When we come back, there are some legislative opportunities or venues. While we work on legislation—and I would say that over the break, our mutual staffs really need to be coming to closure on some legislative options; I know they are in the works. But here are the two options. One, there is the budget, and we have that venue. The other, there will be issues coming up related to trade and expanding trade authority and also trade adjustment assistance, to which of course this would be germane. I believe all this is going to happen before the end of April.

I know you have decisions to make and so on, but this is not something that is going to be put off until the election, and I believe that is what we need to be ready for. We need to be able to present a rational approach to this.

I think you have made excellent cases that if we had a prescription drug benefit and Medicare, it would take an enormous burden and yet meet our human responsibility, and parallel our competitors—it would parallel our competitors. Also, the costs are, in the scheme of the Federal budget, modest, to be this bridge, and they are time-limited as well. So I think we can do it, but we have to all work together, and I think we can do it.

Mr. GERARD. If I could, Madam Chair, just make one modest point. With aggressive leadership by yourself and others like you, hopefully, in a bipartisan fashion, there has to be a principled decision that an American industry and the workers in that industry are deserving of being saved. And my modest point is that to take care of 600,000 retirees, dependent spouses and dependents, is less costly than the retroactive tax break that was going to be given to General Motors and Enron, one of which, quite frankly, does not need it, and one of which, quite frankly, does not deserve it. The workers do.

Senator MIKULSKI. On that note, the committee is adjourned. Thank you very much.

[Additional material follows.]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF ROBERT S. MILLER, JR.

Thank you, Chairman and members of the Committee. I am pleased to have the opportunity to address the Committee on the importance of Congressional help in solving the legacy problem in the steel industry. 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; Bums Harbor, Indiana; and Steelton, Conshohocken and Coatesville, Pennsylvania. Our products include flat rolled products, including plate and tin products, rails, and line pipe.

The domestic steel industry is suffering under devastating economic conditions. These conditions are the direct result of the severe injury caused by the extraordinary volume of disruptive and unfairly traded imports that have been inundating our shores since the 1970s. The recent surge of imports that began in late 1997 has forced 32 domestic steel companies, including Bethlehem, to declare bankruptcy. As documented by the findings of the U.S. International Trade Commission 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, 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 last week 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, will give the domestic steel industry temporary breathing room to rationalize and restructure its operations 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 made by you, Senator Mikulski, Senator DeWine Senator Wellstone, and other members of the Senate, as well as the efforts of members of the House.

The effective implementation and enforcement of the President's safeguard tariffs 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 noncompetitive 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. The most recent consolidation efforts include our merger with Lukens in 1998. 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 approximately 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 130,000 retirees, employees and dependents. Of these 130,000, 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.

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 prepared for us that provides extensive 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. Tbus, whatever "public benefits" 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 PBGC offers a partial safety net for pension benefits, there is no comparable safety net for the health care benefits that would be lost.

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 longterm solution without federal assistance. Trade relief alone will not be sufficient to reverse the current situation, since it has been created largely by foreign governments, foreign companies and federal government policies over time. Under current circumstances, it is inevitable that there will be a dramatic, probably involuntary, reduction in domestic steel production capacity and the concomitant loss of jobs. If the government does not help, more domestic steel producers will surely be forced into liquidation. Even if some facilities are eventually re-started, steel retirees will still lose their health care benefits. If the government helps with these costs now, before these benefits are lost, much pain and chaos can be avoided.

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.

While I am not here today to propose a specific legislative solution, I believe the industry is committed to working with Congress to craft an appropriate response that would involve the industry, labor and government. Bethlehem looks forward to working with you and your staff in this process. However, if Congress decides to address this issue, it 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. 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 addressed, and unless it is 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. Not only have they avoided significant restructuring, but most of our principal international competitors do not bear a burden for employee and retiree health costs that is 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, orderly, reduce the possibility of massive job losses over short periods of time, and help prevent the destruction of a critical basic industry.

PREPARED STATEMENT OF LEO W. GERARD

Madam Chair and distinguished members of the Committee, thank you for your invitation to appear before you today to discuss the health care and pension crisis facing several hundred thousand steelworkers across the nation.

While the United Steelworkers of America was pleased that the President took a step toward reigning in steel imports by imposing variable tariffs on various steel products in the recent Section 201 case, the President pointedly chose not to address the matter of the retirement and health security of steelworkers and our retirees. He apparently intends to leave this unfinished business in Congress' hands.

By every measure, the American steel industry is in crisis. As of today, 32 U.S. steel companies representing nearly 30 percent of U.S. steelmaking capacity have filed for bankruptcy. Twenty-one steelmaking plants are idled or shutdown representing the loss of 25 million tons or 19 percent of this nation's steelmaking capacity.

Some analysts mistakenly believe that minimills (which produce steel by melting scrap in electric arc furnaces) haven't been hurt by unfair trade and record low prices, it is noteworthy that fifteen of these 21 shutdowns are minimills. In fact, shut down steel capacity is almost evenly divided between integrated steelmakers and minimills.

Steel prices have fallen to the lowest levels in twenty years. The December, 2001 composite average of steel prices published by Purchasing Magazine had declined by $140 per ton or 33 percent from the average between 1994 and 1997. The industry posted a combined operating loss of $1.3 billion during the first nine months of 2001.

How did this happen?

The USWA warned our policymakers as early as 1997 that the Asian economic crisis and the collapse of the Russian economy would, if not dealt with correctly, lead to a flood of imported steel. The delay by our own government in responding to the crisis made matters considerably worse. The events of 1997 and 1998 were only the latest in what the U.S. Department of Commerce has identified as thirty years of predatory unfair trading practices and government subsidies by many of our trading partners.

Some today suggest that the American steel industry must be restructured, as if this had not already happened before. Between 1980 and 1987, the American steel industry underwent a painful restructuring, eliminating 42 million tons of steelmaking capacity. Over 270,000 jobs were eliminated. Many workers were forced to take early retirement based on the promise of a pension and continued health care benefits. The tax base in steel communities in Pennsylvania, Ohio, Indiana, West Virginia, Minnesota, and elsewhere shrank as workers went from earning paychecks to collecting unemployment benefits. Some local communities have never recovered from the last steel crisis.

Yet at the same time that our American steel industry has been contracting and downsizing, our foreign competitors have been adding additional steelmaking capacity. OECD data indicates that foreign steel producers had excess raw steel production capacity amounting to over 270 million metric tons. That is more than twice the total annual steel consumption in the United States. Recent multilateral talks in Paris on reducing global overcapacity have revealed that despite the reductions in U.S. capacity, our trading partners fully expect the U.S. steel industry to continue to downsize even further. The Paris talks are instructive for they illustrate yet again that multilateral negotiations are no substitute for strong enforcement of our own trade laws, including Section 201 and our antidumping laws.

The testimony which you have heard today from steelworkers and retirees from Maryland, Pennsylvania, and Minnesota illustrates the depth of concern across the nation by our active members and retirees. They have worked hard and given the best years of their lives to this industry. Now, they are simply asking that promises made become promises kept.

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 annually cost domestic steel producers an estimated $965 million or $9 per ton of steel shipped. Another 700,000 active steelworkers and their dependents rely upon the domestic steel industry for health care benefits. The average steel company has approximately 3 retirees for every active employee—nearly triple the ratio for most other major 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, absent a social safety net, workers are at risk of losing their health insurance and access to health care services. Regrettably, thousands of steelworkers from Acme, Laclede, Gulf States, CSC, Northwestern Steel and Wire, and various other steel companies are now facing this terrible prospect.

The USWA is very proud of its record in negotiating decent health care coverage for both its active workers and its retirees. In 1993, our union made history when we negotiated pre-funding of retiree health care in the iron ore industry. Benefits provided to steel industry 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, copayments, 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 copayments. 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 USWA 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 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 report, the Russian government's "systematic failure to force large enterprises to pay 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 they health care and a significant portion of their pension 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, government now has a responsibility to our steelworkers and retirees and to the steel industry to help craft a solution to this problem.

Why is action needed?

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 coverage when they no longer maintain a health care plan for employees actively at work. 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 health insurance coverage.

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.

Why is action needed for retirees age 65 and over?

Because Medicare has significant gaps in its coverage. Medicare also has significant deductibles and co-payments. 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 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, Medicare HMOs (or as they are sometimes referred to "Medicare + Choice") are available only in limited areas of the nation.

Some who have looked at this problem, particularly with respect to access to prescription drugs, have said the Bush Administration's proposed "Medicare Prescription Drug Card" might be a possible solution. The proposed card would provide discounts of 10 to 25 percent from retail drug prices.

But low income drug assistance is limited to people below 150 percent of the Federal poverty level. That's an individual with an annual income of $12,000 or a couple with a combined annual income of $15,000. In fact, more than half of Medicare beneficiaries would not qualify for Low-Income Drug Assistance. The Low-Income Drug Assistance proposal does not describe how premiums would be set nor does it describe the level of out-of-pocket expenses (i.e., deductibles or co-payments) to be paid by Medicare recipients. Also, states would be required to assume 10 percent of the cost of the Low-Income Drug Assistance proposal at a time when nearly every state is facing budget deficits because of the recession and sharply-rising costs for their Medicaid programs.

The Bush Administration is also considering tax credits as a device for helping the uninsured. Under this proposal, a refundable tax credit of $1,000 to $3,000 (depending on family size) would be made available to individuals without employer-provided health insurance. The problem here is that the tax credits are too small to make health insurance affordable. A "Family USA" study found that a healthy 25-year old woman pays an average of $4,734 per year for coverage under a standard health plan, compared to the $1,000 tax credit offered.

Until the steep increases in health care costs can be contained, the real value of any refundable tax credit will diminish year by year. A recent report from the Centers for Medicare and Medicaid Services, which is an arm of the Department of

Health and Human Services, says that health care costs are expected to grow at a rate of 7.3 percent annually between now and 2011. That means that by 2011, Americans will be spending $9,216 per person on health care, or about double what they spent in 2000. The nation's health care bill could reach $2.8 trillion, or 17 percent of the nation's gross domestic product, by 2011.

Clearly, this problem is not going to go away.

Let me state this very clearly. It is the view of the United Steelworkers of America that the pension and health care commitments made to our active workers and retirees must be honored. These issues are every bit as important to us as the recent Section 201 determination on restraining foreign steel imports.

Our active members as well as our retirees look to you for action. We will work with you and your colleagues in both the House and Senate continuously until this problem is solved and we will not relent in our efforts.

[Whereupon, at 4:26 p.m., the committee was adjourned.]

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