



ADVANCING THE TECHNICAL DEVELOPMENT, PRODUCTION, PROCESSING AND APPLICATION OF IRON AND STEEL

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## **CONSOLIDATION, NEW TALENT KEY TO INDUSTRY SUSTAINABILITY, SAYS PANEL OF STEEL LEADERS**

PITTSBURGH, Pa., May 14, 2007 — The lows won't be as low and the highs will be higher. That's the consensus among a group of seven leading steel executives who met on Tuesday, May 8 to discuss their industry's traditional vulnerability to boom-bust economic cycles.

That topic was just one of several highlights in a wide-ranging Steel Industry Town Hall Forum that helped kick off *AISTech 2007*, the steel industry's largest conference and exposition, which was held May 7–10 in Indianapolis.

Larry T. Brockway, vice president and treasurer, United States Steel Corp., cited a new industry operating model and the benefits of consolidation as main reasons for optimism about the steel industry's future.

"Our business model has changed," he explained. "We're more cost-competitive in down cycles and we can operate leaner and more efficiently. We've learned how to think more like businessmen, not just operators."

As evidence, Brockway reported that U. S. Steel, operated at 67 percent capacity during the fourth quarter last year, yet still managed to make money, something the company could not have done just a few years ago.

Leonard H. Chuderewicz, executive vice president — operations for Mittal Steel USA, echoed Brockway's sentiments. "Consolidation has helped manage the cycles," he said.

To support his contention, he cited Mittal's decision last year to shut down three blast furnaces in the United States when the market briefly softened. "We know the order book and we know the pricing, so we can cut back (on production) incrementally," he explained. "Prices aren't being driven downward and we've

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learned not to let inventories balloon.”

Mark D. Millet, executive vice president for Steel Dynamics Inc., said labor flexibility and increased productivity also have helped insulate the U.S. steel industry from inevitable downturns in the economy. “At integrated steel mills, it used to take 6 to 8 man-hours to produce a ton of steel,” he explained. “That number has dropped to 1 to 2 man-hours per ton, and it’s even less than that in a minimill.”

He also concurred that the steel industry has benefited from a philosophical shift in its business practices. Instead of focusing on putting out the most tonnage, steel manufacturers have increased their emphasis on the bottom line. “Now we’re in the business to make money,” he said.

Giffin F. Daughtridge, vice president and general manager, Nucor Steel–Hertford County, said consolidation has eliminated the desperate decision-making that used to create the industry’s downward spiral of pricing and profits. “We’ve evolved,” he said.

The panel also agreed the industry environment for mergers and acquisitions remains healthy.

Alain F. Bouruet-Aubertot, president and general manager for Minteq, said the steel industry remains behind on consolidation, especially compared to the aluminum, cement and paper industries, which completed the process years ago. “What I am saying is, it’s not over,” he explained.

Brockway takes that as a good sign. What that shows, he said, is that “we’re generating a business that has sustainability. It means our business is back. “

Millet sounded a word of caution about foreign companies taking over steel operations in the United States, however. “Fifty-five percent of our capacity is now in the hands of foreign interests,” he said. “That’s scary.”

Another challenge, panelists agreed, is the need to attract more young engineering students and professionals to the steel industry. Daughtridge said Nucor’s efforts to recruit young talent reminds him of a mining operation. “It takes time, it takes energy and it takes commitment,” he said.

But, he added, his company and his industry have an enticing message for ambitious young professionals: “It’s exciting, it’s hard work and you’ll get a lot of responsibility right from the beginning. We’re in the growth business. Even if nobody retired, we’d still need more people.”

Mittal’s Chuderewicz said the industry’s growth and globalization can also be used to attract up-and-

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coming engineers and managers. Noting his company's plants in 14 countries on four continents, he said, "Pretty much any opportunity you aspire to (in this industry) is available to you."

Conversation also centered on the perceptions, politics and legislation associated with greenhouse gas emissions and global warming. Panelists agreed that few, if any, industries have been as aggressive about cutting energy use and carbon emissions as the steel industry.

Chuderewicz said the steel industry has reduced CO<sub>2</sub> emissions dramatically, even in just the last few years. He said Mittal, like most of his steelmaking contemporaries in North America and Europe, has contributed to these advances by using more efficient furnaces and recycling coke oven and blast furnace gases.

Brockway also reminded conference attendees that steel remains the most recycled commodity in the world.

Despite skepticism about the reality and causes of global warming, industry executives agreed that reducing energy consumption occupies a central role in their business planning.

Chuderewicz said Mittal's efforts are driven by cost as well as concern for the environment. "If one of those two things doesn't motivate you," he said, "you shouldn't be in this business."

Other panelists in the Town Hall Forum included Joseph D. Russo, senior vice president and chief technical officer, IPSCO Inc., and Michael J. Wagner, executive vice president and chief commercial officer, SeverCorr LLC.

*AISTech 2007* was one of the largest gatherings of industry personnel in the world this year. The four-day conference program encompassed more than 350 technical presentations, and exhibits by almost 400 domestic and international companies. More than 5,500 people attended.

For more information, call (724) 776-6040, ext. 1 or visit [www.aist.org](http://www.aist.org).

AIST is an international professional and technical association of more than 13,300 professional and student members, representing iron and steel producers, their allied suppliers and related academia. The association is dedicated to advancing the technical development, production, processing and application of iron and steel.

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