

**USITC Investigation on the Competitive Conditions Affecting the U.S. Aluminum Industry**  
***Lloyd "Buddy" Stemple, chief executive officer of Constellium Rolled Products***  
***Ravenswood LLC***

Hearing on September 29, 2016

- Good morning/afternoon. Thank you for the opportunity to be here with you today. I am Buddy Stemple, chief executive officer of Constellium Rolled Products Ravenswood LLC. I will be testifying in behalf of Constellium.

**Presentation of Constellium**

- Constellium is a global sector leader that develops innovative, value-added aluminum products for a broad scope of markets and applications, including aerospace, automotive and packaging.
- We are a **downstream aluminum player** only – our activities are mainly focused around rolling, extrusion, casting and recycling at the end of the cycle.

Constellium generated **€5.2 billion of revenue** globally in 2015. Our main clients include Boeing, Airbus, Bombardier, Lockheed Martin, SpaceX in aerospace, AB InBev, Amcor, Coca-Cola, and Rexam/Ball, in packaging, Ford, General Motors, BMW, Mercedes-Benz, in automotive - to name just a few. We also provide armored plates for the US army through our plant in Ravenswood.

We have around **12,000 full-time employees**, and over **20 manufacturing sites** mostly in North America and Europe. Our headquarters are in Amsterdam, and we have corporate offices in New York, Paris and Zurich.

In the US, we have around **2,200 employees**, mostly a skilled workforce based in our plants of Ravenswood, WV, Muscle Shoals, AL, and Van Buren, MI.

Innovation is a main driver for our business and in addition to the Constellium Technology Center located in Europe, we are opening a new R&D hub in Plymouth, MI, mainly dedicated to the automotive market.

- As already mentioned, our three main markets are: aerospace, automotive and packaging.
  - **Aerospace:** We are a leader in aerospace plate worldwide, and our plant in Ravenswood, WV plays a key role in producing for this market. There is a continued strong demand in the aerospace sector, and we have invested in the US accordingly, with for instance a new 100kt pusher furnace in Ravenswood expected to be operational at the end of the year.
  - **Automotive** is a growing business, especially in the US, as the demand for aluminum products is growing rapidly to meet stringent CAFÉ standards. We have an ambitious growth strategy for both our rolled and extruded products to take advantage of the opportunities offered by this market. In addition to our plant in Van Buren, MI, 2 weeks ago we celebrated the opening of a new automotive body sheet plant in Bowling Green, KY with our partner UACJ, and we also announced the construction of a new extrusion plant in Bartow County, Georgia which is expected to start production in 2017.
  - **Packaging** is the bedrock of our business and is a stable market that is resilient across economic cycles. With our plant in Muscle Shoals, AL, we have become a leader in the packaging market and we greatly contribute to recycling efforts in the US. In this facility, we recycle the equivalent of 14 billion cans a year.
- **We consider the US to be one of our key markets.** This is why we have heavily invested in the US. In Ravenswood alone, the facility that I am heading, we have invested over \$200 million over the last 10 years, and recently, \$30 million for a new pusher furnace.

- **Sustainability** is at the core of everything we are doing. We are committed to developing, producing and selling sustainable products. We strive to:
  - Maximize aluminum recycling rates, including after end of use life
  - Continuously innovate and offer lighter, safer and infinitely recyclable solutions
  - Optimize the use of natural resources, especially energy
  - Prevent and minimize environmental impacts, notable the reduction of land field waste.
  
- We are also committed to ensuring our people are safe, skilled, motivated and engaged and we are committed to give back to the local communities in which we operate. **Safety is our #1 priority** and our recordable case rate is among the best in the industry.

### China's impact on our business

- There is a great deal of concern today about the future of upstream industry, and how China's overproduction and unfair pricing is threatening this business. But not much is being said about the downstream industry and there seems to be an assumption that the downstream industry is somehow protected. This is far from being true. **The downstream business is at risk and needs strong actions before it's too late.** I have seen the smelter right close to our plant in Ravenswood, with 2,000 employees, closing because of overproduction issue – I have an acute sense of understanding of what "too late" could mean for our industry.
  
- It is not true that the downstream business is protected because we can focus on high-end, complex products only. On the contrary. **Our business model relies on both high value added products as well as larger volume products** (such as commodities), because of the large installed capacity of our plants – mills in particular are large investments which require large volumes to be profitable. This general engineering market has become very difficult for us because of the current Chinese competition.
  
- Another example would be with our **sheet business**. We see some of our can sheet customers in our plant in Muscle Shoals continuing to grow purchases from China, mostly because of lower price. And while our automotive body sheet business is

promising, we need a strong can sheet business to cover the large fixed cost of our hot mill.

- As of today, our commodity business is impacted by the Chinese competition, which indirectly affects our high value end products business. We also see China's interest in higher-end products rising. This is a trend that is concerning and we are closely monitoring it.
- For these reasons, I believe we should apply a **30% import tax on aluminum rolled products**, as it was done successfully with extruded products. We have seen repeatedly that China is getting around the 15% export tax on primary aluminum by misclassifying aluminum or by shipping aluminum through third-party countries. But the 30% import duty imposed on Chinese extrusion products in the US and Canada has proved to be the right move. Today, the extrusion industry in both countries have recovered as a result of its successful implementation. Now is time to apply a similar import duty on our rolled products. It cannot wait, our business is already impacted and we need protection against China's overproduction and unfair pricing.
- The US is a key market for us and we have made significant investments in all our plants, and are opening new facilities. **But our industry require long-term investments and commitments which are easier to undertake in a fair and transparent environment.**
- Thank you again for your time and for giving Constellium this opportunity to testify on this critical issue for our industry. I would be happy to respond to your questions if you have any.