



Metalcasting is one of our nation's oldest and most important industries. It was established in the United States in 1642 and since that time has helped our nation become the world benchmark for manufacturing, defense, science, medicine and aerospace. There are approximately 2,500 facilities in all 50 states but most are concentrated in the Great Lakes states, Ohio, Alabama, California and Texas. Most metalcasters in the United States are small businesses with over 80% employing fewer than 100 workers.

Metalcasting Industry – Essential, Modern and Vital

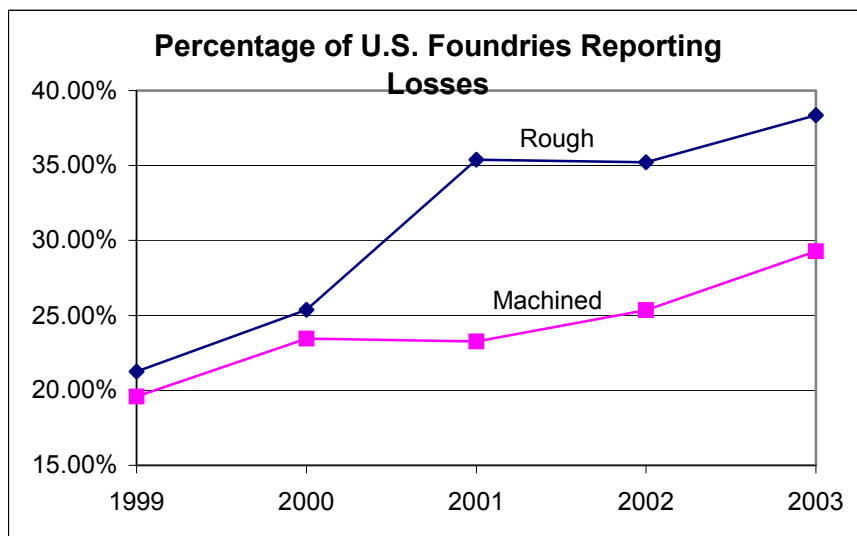
The metalcasting industry is the cornerstone of manufacturing. The industry supports every other manufacturing sector including agriculture, construction, railways, automotive, aerospace, communications, health care, defense and many more. Without castings, America would not be able to economically plant and harvest crops, transport people and materials, explore space, conduct medical operations, communicate electronically, defend our nation or support our military overseas.

Metalcasting has evolved from its beginnings over 5,000 years ago to take advantage of the latest technological developments. Today's businesses use robots, laser systems and the latest engineering software to design castings and rapid prototyping to develop castings. This has allowed companies to produce more complex pieces in greater quantities faster than ever.

Metalcasting facilities are the mainstay of the U.S. defense system. The U.S. military relies on metalcasting to improve and maintain its fighting force capabilities. Domestic metalcasters supply millions of castings a year for use in our military's jets, helicopters, ships, tanks, weapon systems and other vital components.

Challenges to U.S. Metalcasting

Today our industry is challenged more than ever before. Foundries face the most intense global competition in history from those that are free from complex regulations, high labor costs and also enjoy government trade protections, fixed currency levels and subsidies. The U.S. government has also weighed heavily on metalcasters' businesses through rising costs associated with U.S. regulations and health care.



Confronting Challenges: To address these domestic and global challenges AFS worked with the International Trade Commission (ITC) to complete a 332 fact-finding investigation of the industry. While the 332 Report does not make any recommendations, the study is an exhaustive look at the industry and identifies the following:

- The condition of U.S. foundries deteriorated over the period examined, 1999-2003.
- 80% of foundries were forced to reduce or suppress prices to retain customers.
- Most foundries saw declines in production, employment, shipments, and profitability.
- In 2002, China's foundry industry became world's largest, and its growth rate is the world's fastest.
- Chinese government aids industry through investment and tax incentives, special tax exemptions, and regional development aid.
- Indian foundry industry benefits from support of Indian government: tax deductions for R & D expenditures, government loans, loan guarantees, tax write-offs.
- Foreign governments aid industry by lax enforcement of environmental and worker health and safety regulations, which are comprehensive but rarely enforced.
 - This is in sharp contrast to U.S., where these issues are of great concern and viewed as a competitive disadvantage.

Solutions to Industry Challenges

The U.S. foundry industry is at a critical juncture. The industry has been undergoing a massive restructuring, and the pace of foundry closures has escalated in recent years. Industry members that still remain have worked hard to reduce costs and improve efficiency while complying with numerous government regulations concerning environmental protection and worker safety. If America is to maintain a strong foundry base, the U.S. government must develop and enforce policies that support the industry.

- Strengthen Section 421 Trade Laws
 - The President and/or the Office of the U.S. Trade Representative should be prohibited from revisiting facts found or conclusions drawn by the fact-finder in section 421 investigations (i.e., the ITC)
 - The President should be prohibited from using certain justifications to deny relief (for example, that relief would be ineffective)
- Level The International Regulatory Playing Field
 - Apply pressure to our trading partners to enforce or raise the levels of environmental, worker safety, and other regulations in their countries
- Address The Rising Costs Of Health Care Security
- Tax Relief and Simplification
 - Pass Permanent Repeal of Death Tax
 - Pass 20 percent Bonus Depreciation bill, H.R. 2319
- Increased Federal Spending for Skilled Worker Training
- Apply pressure to foreign governments to end tax relief and government subsidies that foster predatory and unfair pricing
- Spurring Innovation (Research and Development)
 - Support permanent extension of the Research and Development tax credit

*For more information, contact Shane Downey
American Foundry Society Washington, D.C. Office
202/842-4864*