

Subcommittee on Energy and Mineral Resources
Impacts of High Energy Costs to the American Consumer
Longworth House Office Building

Thursday, May 19, 2005 - 10:00 AM

Testimony by:
Robbie M. Hyde
President and CEO

Mill Hall Clay Products, Inc.
Mill Hall, PA

Mill Hall Clay Products, Inc. is a manufacturer of clay chimney flue liners and decorative clay chimney tops located in Mill Hall, PA at a plant site that has continuously produced clay products since 1890 when the manufacturing plant was built. In 1947 a small group of individuals purchased what was then the Mill Hall Brick Works Company, incorporated the business under the laws of the Commonwealth of Pennsylvania and continued production. All ownership of the corporation is still represented by family members of the original shareholders.

The Mill Hall Brick Works Company was one of thirty-two brick yards located in Clinton County, Pennsylvania at one time. The present day facility, Mill Hall Clay Products, Inc. is the only clay manufacturing company still in operation in the county. It is the only manufacturer of clay chimney flue liners in the state and one of about only seven manufacturers of clay chimney flue liners in the United States.

The plant operates with thirteen bee-hive kilns to bake its product, some of which have been standing and in use since the plant started in 1890. The kilns have been fired with natural gas since 1965. Before the transition to natural gas, the kilns were manually fired with coal. The plant works one daylight shift, 8 hours per shift, while the kilns are fired continuously, 24 hours a day, seven days a week.

There are presently 31 manufacturing employees and 7 management and clerical personnel. We are a union shop represented by the United Steelworkers of America. We have 38 manufacturing slots recognized by our union contract, but, due to the decline in demand for our product, we have not replaced the last seven employees who have left us. Presently these 31 employees have been able to meet all of our manufacturing needs.

Our products are sold all along the East Coast with our heaviest market in the New England states.

At the present time, our largest expense, after plant labor, is the cost of natural gas. We are presently paying gas bills that are three to four times greater than we were paying in the past. We have been passing these extra costs on to our customers in the form of fluctuating sur-charges as well as price increases. It is getting to the point where many alternative chimney methods are much cheaper to put into new homes, when in the past they were much more costly than the old fashion masonry chimney. Our sales for the last three years have been the lowest sales years in the history of the company.

I am sure there is not a person out there that uses natural gas that enjoys these high prices we are experiencing for the cost of natural gas. We must do something to correct this problem or our country will continue to ride this economic downturn we are experiencing and we will continue to lose our manufacturing jobs. Along with all the excuses I hear every day as to why the natural gas prices are staying high, I feel the two main reasons we are in the situation we are in is due to regulations and environmental issues. How can we continue to meet the ever increasing supply and demand for natural gas when regulations and environmental issues stand in the way of production.

We have tons and tons of natural gas all over this United States and we cannot drill for it due to regulations and environment issues. We Americans are smart enough people that we can drill for this gas anywhere in the United States and do it according to regulations and not ruin the environment. I believe strongly in a protected environment for my grandchildren to enjoy all their lives. I believe strongly in operating a safe work place for my employees. But we must consider opening up some of these regulations and environmental issues so this country can get along with business and make sure our grandchildren can enjoy their freedom in this country for years to come and enjoy all the country has to offer them. We must do this to get back all of the manufacturing jobs we have lost in the last three years due to plant closings.

We fear for our jobs at Mill Hall Clay Products, Inc. and these regulations and environmental issues are governing our fate. I have been at Mill Hall Clay Products, Inc. for 35 years. I was hired seven months after my honorable discharge from the United States Army. This is the only job I have ever had. In my 35 years I have negotiated eleven labor contracts with our

local union. We have never experienced a labor strike since I have been there. Our labor negotiations always took six, eight, ten weeks with maybe two meetings a week lasting on the average of four to six hours per meeting. We settled our latest three year contract in June 2003. We met one time for two and one half hours and the contract was settled. Two and one half hours, our men are scared to death for their jobs.

Look at the numbers if our plant goes down, 38 employees total whose families total 90 lives, 11 retirees that would be affected, 20 shareholders with families. One hundred thirty-one lives plus retirees and shareholders families. Also, all the businesses and their employees and families that depend on our product. Now consider this same situation with a plant that employs 1000 people, a plant with 3000 employees. Think about the numbers and the consequences. How many manufacturing jobs have been lost in the past three years in this United States? We cannot sit still and let this continue to happen.

Please look over my attached charts and notice where we paid \$3.58 average per Dth for natural gas in the past and \$7.68 average per Dth this past year. Also, on these charts, please notice in the past where we paid \$25.11 for natural gas to manufacture one ton of goods and this past year we paid \$72.00 for that same natural gas to manufacture that ton of goods.

And finally, if I were spending \$500,000,000 per year for natural gas to run my plant here in the United States that employees 5,000 people, I would definitely consider moving my plant to Bolivia where the same amount of natural gas would cost me \$117,857,142, saving me \$382,142,858 in natural gas costs alone. This information is also noted on one of the attached charts.