



## **Statement of Carl R. Moulton**

**Chairman, Specialty Steel Industry of North America**

**Congressional Steel Caucus  
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Good morning, Mr. Chairman and thank you for inviting me to participate in this briefing.

I am Carl Moulton, Chairman of the Specialty Steel Industry of North America (SSINA). SSINA's member companies produce stainless steel, super alloys, high-nickel materials, electrical steel, tool steels and other high-technology materials for critical applications. A list of our members is attached to my statement.

### **State of the Specialty Steel Industry**

First, let me comment on the current state of our industry. Our markets are improving with the overall U.S. economy. Yet we are very concerned about the startling growth of imports and their impact on our member companies.

### **International Trade Issues**

We continue to see much evidence of unfair trade practices such as dumping and foreign government subsidies to the specialty steel sector. Imports are up substantially. Full year 2014 imports of stainless sheet and strip are up 30 percent over 2013. China leads the way, with an incredible increase of 115 percent over the prior year. Stainless bar imports are up 20 percent. Rod is up 29 percent.

SSINA is very concerned about the rapid expansion of state-owned enterprises (SOEs) in the global marketplace. U.S. policies toward SOEs need to be updated and refined.

A word about the Trans Pacific Partnership agreement (TPP) being negotiated. SSINA does not support the inclusion of Japan in the deal. It is very difficult for our member companies to export to Japan. Furthermore, Japan has aggressively manipulated its currency to give Japanese manufacturers a competitive advantage. SSINA has recently joined with the United

Steelworkers in a letter to U.S. Trade Representative Michael Froman urging that Japan be dropped from the TPP negotiations unless they agree to open their market and stop manipulating their currency.

### **Currency Manipulation Remains A Serious Problem**

China's undervalued currency remains a serious problem. The governments of China and Japan continue to subsidize their specialty steel producers by keeping their currencies undervalued. We deeply appreciate the support for currency legislation shown by members of the Congressional Steel Caucus, and particularly the leadership which Chairman Murphy and Congressman Tim Ryan have shown with their legislation.

### **The Need for Metallurgists**

As I have reported to you previously, we in the specialty steel industry are concerned about the lack of new graduates in metallurgy. We need qualified people to support the technological challenges of the future in our high-technology businesses. The Congressional Steel Caucus has been helpful in seeking solutions to this issue. We are currently developing a proposal for your consideration and will be in touch again shortly.

### **Environmental Issues**

SSINA is deeply concerned by DOE's consideration of a plan to release into the market scrap metal from radiological areas that it labels as "uncontaminated." Unfortunately, this scrap is contaminated and the plan would allow the release of scrap with levels of radiation that will trigger detectors at our mills. The plan threatens the integrity of the entire scrap supply and consumer confidence in steel products made from this recycled material. The Metals Industries Recycling Coalition (MIRC) has made DOE aware of these concerns repeatedly over the last 15

years, including in detailed comments submitted over a year ago with no response to date. The Department rejected our request for a meeting to discuss this policy shift. Despite our concerns, DOE is considering moving forward with this ill-advised plan. I want to express our appreciation to Vice-Chairman Visclosky for raising this issue with DOE recently in a House Appropriations Committee hearing.

SSINA remains concerned about the EPA approach to regulating greenhouse gas (GHG) emissions. The pending rule addressing GHG emissions from the existing fleet of electric utilities promises significant increases in electricity costs and potential reliability issues. The cost increases will have adverse effects throughout the economy, particularly for energy-intensive industries such as specialty steel production that already face stiff foreign competition.

### **Defense Issues**

A strong defense industrial base starts at the top of the supply chain with the production of the specialty metals that are the building block of that base. Specialty steel, titanium, superalloys, and other high performance specialty metals are critical to the production of virtually every major military aircraft, naval system, and weapons production program upon which U.S. national security depends.

Congress has consistently recognized the importance of the specialty metals sector by enacting in 1973 the Specialty Metals Amendment. The provision, which was once a part of the annual defense appropriations process, was officially codified in 2006. The provision requires that all specialty metals used in defense programs be melted in the U.S. For more than 40 years, the Specialty Metals Amendment has ensured the existence of a defense material supply chain that is cost competitive, accessible, and reliable. The law has encouraged substantial investments in the specialty metals sector, enabling the United States to achieve and retain its technological

leadership in the production of these materials. This was the intent of the Department of Defense when it proposed the Amendment back in 1973, and it has been the stated intent of Congress every legislative cycle the bill has been subject to review.

The Steel Caucus has repeatedly supported our efforts to ensure that the Specialty Metals Amendment is properly administered and enforced by the Department of Defense. The Caucus has also opposed attempts to weaken the law through regulatory changes or statutory amendments. Such changes serve no purpose but to open the floodgates to subsidized suppliers in Russia or China who wish to supply defense aerospace and other defense markets. Russia already has that capability in titanium, and China is making major inroads in the production of nickel-based alloys. The Specialty Metals Amendment is what stands between a globally competitive U.S. defense supply chain and a defense industrial base, which is dependent on China and Russia. Do we wish to place the key building blocks of our defense industrial base in the hands of these two countries?

Acquisition Reform is a “buzzword” we hear regularly. We understand that Congress, and specifically the defense authorization committees, have made procurement reform a priority in the defense acquisition arena. These efforts are largely cost and efficiency driven. We support this process. We do, however, have concerns about where this process could take us. There are some who may argue that globalization of the supply chain or commercialization of the acquisition process through the elimination of long-standing programs like the Specialty Metals Amendment will improve the reliability of the material supply chain and reduce costs. In fact, such policies amount to nothing more than a transparent attempt to allow government-backed competitors in Russia and China to capture the strategic defense market from which they are now excluded. It is noteworthy that the GAO has already rejected claims that opening our

defense metals market to the Chinese or Russians will impact the cost structure of our defense acquisition process.

As procurement reform proceeds, we ask for the continued support of this Caucus for our world-class specialty metals sector as Congress evaluates the supply chain and reviews the acquisition process.

Thank you.

**MEMBERS OF THE**  
**Specialty Steel Industry of North America**

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**ATI Flat Rolled Products**  
Pittsburgh, Pennsylvania

**North American Stainless**  
Ghent, Kentucky

**ATI Specialty Metals**  
Monroe, North Carolina

**Talley Metals Technology, Inc.**  
A Carpenter Company  
Hartsville, South Carolina

**Carpenter Technology Corporation**  
Reading, Pennsylvania

**Universal Stainless and Alloy Products**  
Bridgeville, Pennsylvania

**Crucible Industries LLC**  
Solvay, New York

**Valbruna Slater Stainless Inc.**  
Fort Wayne, Indiana

**Electralloy**  
Oil City, Pennsylvania