



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

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Allegheny Technologies Incorporated and  
Chairman, Specialty Steel Industry of North America**

**Congressional Steel Caucus  
March 25, 2014**

Good morning and thank you for inviting me to participate in this briefing.

I am Carl Moulton, Senior Vice President, International, Allegheny Technologies Incorporated (ATI) and 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, I would like to comment on the current state of our industry. 2013 was a difficult year for stainless steel producers, becoming progressively worse over the course of the year. As for 2014, we are cautiously optimistic that the first quarter will be slightly better than the fourth quarter of 2013. The second quarter of this year may continue to improve. But, remember that we are speaking of improvement from all-time low transaction prices.

The market itself has improved modestly. Customer inventories are down. The housing sector continues to recover from the very low level of demand seen during the recession. Sales to the automotive sector are good, despite the recent disruptions caused by bad weather. Non-residential construction is improving. The oil and gas sector is doing well, but demand for our products from the electrical energy market continues to suffer from low GDP growth rates and regulatory uncertainty.

### **International Trade Issues**

We continue to see evidence of unfair trade practices such as dumping and foreign government subsidies to the specialty steel sector. We filed a major antidumping and countervailing duty case on grain-oriented electrical steel, used to make transformers, against seven countries. These transformers are critical to maintaining the integrity and improving the

efficiency of our nation's electrical energy grid. The U.S. International Trade Commission (ITC) found preliminary evidence of injury, and the Commerce Department is now investigating antidumping margins and countervailing duty margins. Commerce found a preliminary countervailing duty margin against Chinese producers of 49.15 percent, a reflection of the massive subsidies granted by the Chinese government.

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 concerning 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 aggressively manipulates its currency to give Japanese manufacturers a competitive advantage.

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

China's undervalued currency remains a serious problem. The government of China continues to subsidize its specialty steel producers by keeping its currency undervalued. As I am sure you are aware, China has moved aggressively in recent weeks to lower the value of its currency. So after making some progress in 2013, the Chinese yuan has quickly slipped back.

### **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 developmental challenges of the future in our high-technology businesses. The Congressional Steel Caucus has been helpful to us in seeking solutions.

## **Environmental Issues**

SSINA is deeply concerned by DOE's ongoing consideration of a plan to release into the market scrap metal from radiological areas that it labels as "uncontaminated." Unfortunately, this scrap is truly not clean 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. Despite these concerns, expressed in detailed comments and information submitted by the Metals Industries Recycling Coalition (MIRC), DOE is considering moving forward with this ill-advised plan.

In addition, SSINA remains opposed to EPA's continued development of a rule that would replace existing commonsense and effective mercury source control requirements with numeric emission limits and expensive monitoring. Despite no legal mandate to do so, EPA's new rule effectively will preclude the construction of any new specialty steel melting facilities in the U.S. This effort is particularly troubling because EPA data confirm that mercury emissions are truly miniscule – less than one-tenth of a pound per year at a representative mill. This is due to the stringent scrap specifications we use to prevent mercury in our feedstocks. EPA should exclude the specialty steel sector from the scope of the rulemaking.

## **Defense Issues**

Specialty Metals are critical to the defense industrial base of the U.S. No weapon, naval, or aerospace program could function without specialty metals, including specialty steels and other high performance materials like titanium and superalloys. The Specialty Metals Amendment, which requires that all specialty metals used in defense programs be melted in the U.S., has been a reflection of that criticality for more than 40 years. The Specialty Metals Amendment has ensured the existence of a domestic supply chain that is cost competitive,

accessible, and reliable. The law has also encouraged the substantial investments in the specialty metals sector that have enabled the United States' industry to achieve its unquestionable technological leadership in the production of these materials.

We have fought for decades to ensure that this law is properly administered and enforced by the Department of Defense. And, we are grateful to this Caucus for supporting us by consistently opposing 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 military aerospace and other defense markets.

We understand that the Department of Defense is undertaking a major review of its procurement policies in an effort to streamline the acquisition process. As direct and indirect suppliers to the Department of Defense, we support this process. Nevertheless, we will be following the details closely. We ask this Caucus to do the same. There are some who may argue that globalization of the material acquisition process through removal or weakening of the Specialty Metals Amendment will improve the reliability of the material supply chain and reduce costs.

On the contrary, nothing would threaten U.S. leadership in the production of these strategic materials more than a weakening of the Specialty Metals Amendment. Concepts such as "globalization of the supply chain" or "commercialization" of the acquisition process often conceal attempts to allow government-backed competitors in Russia and China to capture the strategic metals market. We cannot let this happen. Nor can we justify unwarranted waivers of the domestic sourcing requirement where such waivers do not take into account the ability of U.S. suppliers to meet U.S. defense needs.

We ask for the continued support of this Caucus for our world class specialty metals sector as DoD evaluates the supply chain and reviews the acquisition process.

Thank you.

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

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March 2014

**Allegheny Ludlum**

An Allegheny Technologies Company  
Pittsburgh, Pennsylvania

**North American Stainless**

Ghent, Kentucky

**ATI Allvac**

An Allegheny Technologies Company  
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