

Testimony of L. Patrick Hassey
Chairman, President and CEO
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To the Congressional Steel Caucus
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Chairman Visclosky, Vice Chairman English, and Members of the Congressional Steel Caucus:

I am Pat Hassey, Chairman, President and CEO of Allegheny Technologies. Thank you for inviting me to appear before you today on behalf of my company and the Specialty Steel Industry of North America, a trade group comprised of fourteen companies engaged in the manufacture and distribution of specialty metals. These materials include stainless steels, superalloys and other nickel base alloys, titanium and titanium alloys, zirconium and niobium alloys, among others.

Use of our products is important to a wide variety of industrial markets, but they are critical to national defense.

Specialty metals are vitally important to virtually every U.S. military platform. Weapons systems can neither be built nor operated without these materials. Whether it is missiles, jet aircraft, submarines, helicopters, Humvees or munitions, American-made specialty metals are crucial components of U.S. military strength, whether we are at peace or at war. The strategic importance of these materials to the national defense was reaffirmed last year when the long-standing requirement to use domestic melted specialty metals in weapons systems and other military articles was recodified into law as a distinct statutory provision. The new provision went so far as to establish a new Strategic Materials Protection Board to enable the constant reevaluation of the long term availability of these critical materials.

Although ATI and other members of our industry are doing well currently, we are very concerned about the future. Simply put, we are engaged in an economic war with our global

competitors, particularly China, and we are losing the initial battles. Here is what China is doing in the area of specialty metals: Using government subsidies and the manipulation of factors affecting domestic competition, the Chinese government has incentivized a rapid increase in their country's capacity to manufacture stainless steels. In just a few short years, their stainless industry, while consistently losing money, has grown from virtually nothing to an industry twice the size of the US industry and has now become the number one exporter of stainless flat rolled products into the US, other than NAFTA member country Mexico. Our charts provide details.

But the question is: How can the US industry be expected to compete with subsidization and market distortions; and how can we compete with companies that are not required to earn a reasonable return on invested capital? What can we do about it?

Here is what ATI is doing in this economic war: We are a globally oriented, high tech multi-national company. We export over 25% of the products we make. We have continued to invest heavily in our manufacturing plants and the development of technology here in the US. In just the last two years, we have announced capital investment plans for our US installations totaling nearly \$1 billion. In addition, we announced several new breakthroughs in technology, all developed here at our labs in the US, that offer significant benefits to our customers. Earlier this week, we announced the ratification of a new 4 year labor agreement with the USW that will preserve the significant gains in productivity achieved with their help over the last few years while providing them significant increases in wages and benefits, allowing them to share in our recent success. ATI and other members of SSINA are doing the best we can, but we can't win this war by ourselves. We need the help of the government to create policies that level the playing field. If this is not done, and done quickly, our industry's ability to continue investing in this country will be lost.

What does our industry need?

We appreciate the sponsorship by Chairman Visclosky and Vice Chairman English and other Steel Caucus members of legislation to level the playing field. Legislative proposals like H.R. 1229, introduced by Mr. English and Davis, go the heart of some of the issues raised by China's widespread subsidization of its specialty steel sector. We also appreciate bills which seek to strengthen the trade laws, like H.R. 708, introduced by Mr. English. Still, the rate of progress in enacting meaningful legislation is much too slow. Much like all American industry, we need comprehensive reform. First of all, we need to enforce and strengthen US trade laws in an effort to create fair trade. We also urge the Steel Caucus to consider a legislative solution to the problems created by the WTO panel decisions related to "zeroing" in antidumping cases. The WTO decisions, in our judgment, are wholly outside the legal authority of the WTO and are contrary to U.S. law. The primary impact, thus far, is on stainless steel , with 9 out of 12 recent decisions affecting our products.

But that is not enough. We also need to improve the competitiveness of US manufacturing by creating a meaningful energy policy; tax reform that encourages investment in plant, equipment and research, tax reform that provides an incentive to export and a disincentive for others to import products into the US, which virtually all of our foreign competitors enjoy; regulatory reform; and we need to remove some of the burden of providing health care and post retirement benefits from the shoulders of the manufacturing industry, again similar to our foreign competitors.

This is a very high stakes poker game. The middle class in America is losing ground. High paying, high skill manufacturing jobs are gradually disappearing as companies outsource

production overseas in search of short term gain while creating a long term strategic problem for this country as they transfer their crown jewels of technology to foreign countries as a quid pro quo for market access. In the case of specialty metals, the defense of the country is at stake. Can we afford, for example, to transfer to China the technology underlying our most critical strategic materials in a short-sighted effort to reduce production costs? In the specialty metals industry our factories are our laboratories. Is it in our national interest to make China one of our few suppliers – if not the sole source of these critical materials?

Now is the time to act. Last November's elections highlighted the importance of trade issues. Right now the US has two things that others want, particularly the Chinese: access to our technology and access to our markets. It's time to act.