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Public Hearing on
Section 232 National Security Investigation
Regarding Imports of Steel

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Good afternoon, Mr. Secretary, and members of the panel. I am Terry Hartford, Vice Chairman, Specialty Steel Industry of North America (SSINA), and Vice President - Defense for Allegheny Technologies Incorporated. ATI is a U.S.-based manufacturer of advanced specialty materials, including nickel-based alloys, superalloys, titanium alloys, stainless steels and other specialty materials, including zirconium, niobium and hafnium alloys. We've also made significant investments in downstream capabilities to produce specialty components from these materials. Many of these alloys have significant defense applications in our most advanced military systems.

ATI is one of the largest and most diverse specialty metals and components manufacturers in the world. Our largest markets are in the aerospace and defense sectors, although we also have a strong presence in the oil and gas, electrical energy, medical, automotive and other industrial and commodity markets. Virtually every major military aerospace system contains an ATI specialty steel or alloy. Our materials are also utilized in the production of land-based vehicles; naval systems; missiles and rockets; armor and munitions. The applications of these materials are wide-reaching, and in many instances, these materials are sole-sourced and not substitutable. Let me provide a few illustrative examples, beginning with the aerospace sector.

1. Our vacuum melted nickel alloy sheet, bar and finished forgings and our aerospace quality titanium alloys provide the strength and thermal protection that enables our military jet engines to operate at the highest temperatures with the necessary strength. The Joint Strike Fighter F-135 engines and the F-404 engines of the F/A-18-Hornetare aerospace platforms are examples of programs that rely heavily on ATI specialty metals.

2. Our premium quality titanium for dynamic rotor components and blades on many military helicopters, including the Apache, Blackhawk and Chinook programs provide high strength and light weight performance that is critical to the operation of these aircraft.

3. Our Precipitation Hardening stainless steel bars and finished forgings are used for landing gears and other aircraft structural components of our military aircraft.

Moving from aerospace into the realm of ground vehicles, our vacuum melted nickel alloy sheets are used for recuperators on the M1-A2 Abrams tank engine, and our titanium alloys are used to produce armor for the M1-A2 tank. Several years ago, ATI developed a new titanium alloy for armor systems, and this new material is nearing final qualification from the US Army and its prime contractors.

On the sea, our nickel-based alloys are utilized in hull construction to increase the system performance, durability and survivability of our naval vessels; while our special alloys for Navy submarine and aircraft carriers' nuclear propulsion systems ensure the corrosion resistance necessary in high temperature and salt water environments. Similarly, our duplex stainless steel is used for structural components on the Navy's newest Zumwalt-class destroyer, providing cost effective strength and corrosion resistance.

This is a small sampling of the numerous applications served by ATI specialty steels and specialty metals. Many of these applications involve the use of proprietary materials that we have developed directly with the Departments of Navy, the Air Force and the Army. These metals are high tech in nature and are in a constant state of advancement. They are not "off-the-shelf" items. It is their superior performance, often under the most severe operating conditions, that enable our defense systems to function at high levels of performance and to do so reliably.

ATI is committed to the defense market. We are investing heavily in the development of new materials to navigate the transition to the next generation of advanced jet engines that will power our commercial and military air fleets. These materials will help our engines operate at higher temperatures to drive greater performance and improve fuel efficiency. Our efforts, however, are not limited to mill products. We are a leader in the production of titanium-based and nickel based alloy powders for use in next-generation jet engine forgings, as well as in the production powder and wire for 3-D printed components.

Mr. Secretary. We applaud the Administration's willingness to study the relationship between imports and national security in this investigation. To understand that relationship, however, requires an understanding the operations of companies like ATI that are leaders in the development of the specialty metals that will power our military into the future.

ATI grew through investment, technology development and innovation into the diverse specialty metals and components producer that it is today. A core business segment, however, is stainless steel production. Like most U.S. specialty steel mills, the ability to sell stainless steels into the commercial market requires us to be cost competitive to sustain our business. The domestic specialty steel industry – including companies like ATI – cannot exist simply by producing materials for leading edge defense applications. The production of materials for all defense applications, represents, in our case, perhaps 10 percent of total production. The survival of this industry, however, is dependent on the viability of all of its businesses, not just its defense-related production. It is important to realize that the production equipment used to make materials for defense applications is the same as the equipment used to produce materials like stainless steel for large volume non-defense applications, including infrastructure projects. Many of our engineers and metallurgists are also the same. It is the efficiencies of these larger volume, non-

defense related businesses that sustain the development and production of leading edge specialty metals for defense applications. Thus, the economic welfare of our high volume stainless steel operations directly impacts our ability to serve the needs of our military. For this reason, and relevant to this investigation, I would like to address the current state of the stainless steel market from the perspective of the stainless flat-rolled sector, which accounts for about two-thirds of U.S. stainless production.

For more than 40 years, the stainless steel flat-rolled market has been targeted by imports. Nevertheless, the sector has persevered and invested billions in world class technologies to remain globally competitive. We have also relied on the trade laws to respond to the challenges from illegally traded imports. Most recently, ATI and the other stainless steel-flat-rolled producers were forced to confront a Chinese state-owned juggernaut that increased its production of stainless steel from 3.8 percent of global production in 2001 to 54.5 percent in 2016.

China's production capacity is nearly eight times the size of the U.S. market, and its excess capacity alone is more than double the size of the entire U.S. market. These capacity imbalances, not surprisingly, translate into an intent, through the use of aggressive pricing, to dominate and potentially take over our market. Over the period 2013-2015, imports of stainless sheet and strip products from China grew 133.1 percent from 63,114 to 147,143 tons. China's share of the entire U.S. stainless sheet and strip market doubled during that period. The recent import surge from China, in fact, created market conditions that forced ATI to close our Midland Pennsylvania facility in 2015, with the loss of hundreds of jobs. Through the use of the trade laws, we were able over the period 2016-2017 to obtain antidumping and countervailing duty orders against China that should restore temporarily some degree of fairness to the market place. The fundamental structural problem of overcapacity, however, remains, and Chinese imports have been supplanted

by imports from Taiwan and Vietnam, many of which originate from Chinese-produced upstream material.

ATI's revenues come primarily from commercial markets, complemented by significant positions in defense. ATI recently invested $1.2 billion to build the world's most advanced hot-rolling, and processing facility in Brackenridge Pennsylvania. We will be processing some of our most sophisticated specialty alloys at that facility, many of which will be the foundation of our future military platforms. The new mill, however, to operate profitably and efficiently needs to be able to produce stainless steel in commercial volumes. This is true of many of our operations, including our Forged Products business. If our commercial markets continue to be victimized by unfair imports, we will not be able to operate our mills at a level of profitability and return on investment that will permit us to invest in the research and development of the materials so critical to our national defense. Many of these materials cannot be produced anywhere else. Indeed, this is why the U.S. Department of Defense asked Congress in 1973 to impose a domestic sourcing requirement on specialty metals. That requirement is a reason why companies in the specialty steel industry, like ATI, have had the ability to develop the specialty alloys that power our military, and why the U.S. leads the world in the technology development and production of these materials.

A domestic sourcing requirement alone, however, will not preserve that US leadership position, given the structural problems of excess capacity that plague the specialty steel industry. This investigation must recognize the inextricable linkage between our national defense needs and the ability of our specialty metals manufacturers to achieve the returns on investment in their commercial markets that will support the research and development of the high technology materials that are vital to our defense industrial base. This investigation must therefore address the fundamental issues of overcapacity and unfair trade that have plagued our commercial markets,

and it must fashion a remedy that will permanently address those issues. The remedy, however, cannot undermine the antidumping and countervailing duty orders that have been effective in restraining import surges, nor can it weaken the domestic sourcing requirement incorporated in the Specialty Metals Amendment, which has ensured that the U.S. has the ability to produce the specialty metals from which most of our military platforms are built. We look forward to working with the Administration in helping shape that remedy.