Chairman Murphy, Vice Chairman Visclosky, and members of the Congressional Steel Caucus, I am Roger Newport, CEO of AK Steel. I want to thank you for holding this hearing and for inviting me to testify on behalf of the American Iron and Steel Institute. I would also like to express my appreciation for your leadership that has led to many successes for the Caucus and steel industry, and for bringing the industry’s challenges to the forefront.

I welcome the opportunity to discuss the new, innovative grades of steels that are underway in the steel industry to meet the future needs of our customers. We are encouraged by the Administration’s drive to invest in our nation’s infrastructure, take actions to address burdensome regulations that thwart manufacturing growth in the U.S., and enact aggressive trade enforcement policies that will result in growth in our economy. We believe these actions are critical to achieving economic growth that will truly spur increased investments and job creation, including in the steel industry. The steel industry touches most facets of the American economy and we continue to make substantial investments to support the future needs of our customers through product innovation.

We made significant investments to create new grades of light-weight, high-strength steel for cars and trucks in order to help the automotive industry meet CAFE and GHG emissions standards. And we were pleased that the Administration recently announced it would reinstate the mid-term CAFE Standards review. Steel is the best economical solution to help the auto sector meet realistic CAFE standards that take into account consumer purchasing preferences. We look forward to working with the Administration and our customers to ensure we achieve the desired benefits.

We also support the Administration’s proposal for making significant investments in our nation’s infrastructure. We encourage Congress to make this a priority and to ensure that such a package includes investments in our energy infrastructure, including the old and outdated electrical grid system. Pursuant to policy directives issued by both President Obama and President Bush, the Department of Energy has identified electricity transmission systems as infrastructure that is critical to our national security. Because virtually every household and business in this country relies on electricity, the security and long-term viability of electrical infrastructure are a national imperative.

AK Steel is now the only producer of electrical steel in the United States – a product that is necessary for transmission and distribution transformers for all types of energy – including solar,
nuclear, wind, natural gas – across our country. We continue to make advancements in the types of electrical steel we make which are among the most energy efficient in the world.

America was once home to multiple manufacturers of this high-end product that supports highly skilled, high-wage jobs. However, the market has rapidly deteriorated in part due to the loss of the grain-oriented electrical steel (GOES) trade case in 2014, as the ITC determined the domestic steel industry was not injured, a determination we believe was wrong. As a result of these poor market conditions, the only other U.S. producer of electrical steel permanently shut down its electrical steel facilities and exited the market last year.

In 2016, grain-oriented electrical steel imports surged 80% over 2014 and unfortunately, this rising import trend is continuing and we expect the U.S. electrical steel market to be under attack for the foreseeable future.

We believe this should concern the Caucus and your Congressional colleagues because of the national security implications it raises. If large power transformers are destroyed by a terrorist attack, natural disaster, or simply old age, critical parts of the U.S. electric grid could be down in a region for an extended period of time, causing a significant impact on national security and the U.S. economy. If domestic electrical steel production and transformer production is not maintained in the U.S., the future could entail a situation where the U.S. is 100% reliant on foreign producers, like China, to supply these critical materials.

We encourage Congress to move forward with an infrastructure package that increases demand for the domestic steel industry. This should include investing in the domestic electric grid and incentivizing the use of domestic content for transformers, cores and other components.

Let me conclude with remarks on the overall state of the steel industry. After two exceptionally challenging years, characterized by surging imports and weak demand, conditions in the steel industry in the United States have improved. However, new threats remain. While finished steel imports are down from the peak of about 34% in 2015, imports continue to take about 26% of the U.S. market share – well above historical levels. Additionally, we are seeing substantial imports come in from countries not named in the trade cases. Meanwhile, domestic raw steelmaking capacity utilization has remained depressed with current levels still below 75% and thousands of employees still on layoff.

Global steel overcapacity and unfair trade practices continue to threaten the viability of the industry, as shown by the failed electrical steel trade case example. Several steel mills remain idled, and over 14,400 jobs have been lost in the steel industry since the beginning of 2015. As such, we encourage the Administration and Congress to be vigilant - to take actions to spur our economy and manufacturing in the U.S., to continue the pursuit of strong trade enforcement and aggressive trade diplomacy, and to enact legislation to further address unfair foreign trade practices.

Thank you.