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**Testimony of Roger K. Newport
Chief Executive Officer, AK Steel Corporation
Congressional Steel Caucus Hearing
March 21, 2018**

Thank you, Chairmen Bost and Crawford, 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 approximately 9,200 AK Steel employees. I would also like to express my appreciation for your leadership of the Caucus which has been instrumental in bringing the industry's challenges to the forefront. To address many of those challenges, two weeks ago, President Trump took the bold, historic step of imposing a 25 percent tariff on steel imports to defend America's steel industry and its workers from imports that threaten our national and economic security. We support the actions taken by President Trump on March 8 and encourage the Caucus to embrace them as well. But there is an unintended loophole in these actions that has national security and job implications, and that is the focus of my testimony today. I believe this loophole is easily addressed, and I hope to enlist your support in this effort.

AK Steel has a proud heritage that spans more than 119 years. Over the past century, we have been a leader of innovation in the steel industry, providing jobs to hundreds of thousands of people and giving back to our communities. I am proud to say that I have worked at AK Steel for 33 years and have seen our company lead innovation in many steel products. AK Steel makes carbon, stainless and electrical steels. However, we are the last producer of grain oriented electrical steel in the United States. While the 232 decision is important to all of our products and markets, the loophole I'm referring to impacts electrical steel, specifically its use in the transformer industry and supply chain.

Grain-oriented electrical steel, or GOES, as we refer to it, is a product that is critical for transmission and distribution transformers for all types of energy across our country – including solar, nuclear, wind, and natural gas. While the United States was once home to multiple manufacturers of GOES, which supports highly skilled, high-wage jobs, the GOES market has been decimated by unfairly traded imports over the past decade, leaving AK Steel as the only domestic producer of GOES. Unfortunately, the avalanche of unfairly traded imports continued last year with GOES imports nearly doubling in 2017 versus 2016.

While we appreciate that the Department of Commerce's Section 232 report makes several mentions of electrical steel and its importance to our country's national security as well as its acknowledgement that AK Steel is the sole domestic supplier, the report and subsequent Presidential action contain an unintended loophole that will allow foreign producers to circumvent the 232 remedy to the detriment of our national and economic security.

The loophole lies in the fact that the 232 does not cover the key internal components of electric transformers. Those include electrical steel laminations, cores, and core assemblies, which are basically just stacked, slit or wound electrical steel products. Inclusion of these products is necessary to prevent circumvention of the 232 tariff on electrical steel through these downstream components and to achieve the goal of ensuring that the U.S. continues to make

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products critical to the electrical infrastructure supply chain. Without that protection, producers can easily evade the tariff by targeting a different part of the transformer supply chain, which entails moving the minimal value-add process of making laminations, cores or core assemblies outside of the U.S. or importing the core or core assemblies themselves.

In fact, the transformer core business in the U.S. has already been suffering. Imports of cores and core assemblies in 2017 increased by 212% to 670% compared to 2016. This shows that under threat of the 232 remedies, producers can and did easily move up the supply chain and began importing the core and core assemblies in order to evade any potential remedy on GOES. In 2017, imports of cores and core assemblies were up 273% from Canada and 436% from Mexico compared to 2016 import levels. Yet there is no GOES steel production in either Canada or Mexico. There are hundreds of GOES laminations in each core or core assembly, so the loss of those core manufacturers to other countries is significant.

We believe this should concern the Steel Caucus and all of your Congressional colleagues because of the national security and economic implications it raises. In the case of a natural disaster or a cyber- or physical attack on the country's electrical grid, the United States' national security cannot be put in jeopardy as a result of the absence of a domestic supply chain supporting the key components of the electrical grid. Increasing the country's dependence on foreign suppliers would create a severe risk of catastrophic failure of the electrical grid and disruption to the nation's businesses and citizens' way of life.

A stable domestic manufacturing base for cores and transformers, built from domestically produced electrical steel, is vital to the national security interests of the United States. But that capability is also at risk as there are only a few remaining U.S. producers of these important electrical infrastructure products.

Also at risk are the jobs associated with this domestic industry. They are already eroding, and I suspect that erosion will accelerate as foreign producers redouble their efforts to evade the 232 by engaging more aggressively in the downstream supply chain.

We believe this illustrates why it is imperative that the Administration take additional action on the electrical infrastructure supply chain and apply a remedy to the downstream electrical steel laminations, transformer cores, core assemblies, and transformers. It is also why the Administration must cap imports, at a maximum of 100% of their 2017 volumes – no higher – to any country it may determine should be exempt from the Section 232. This includes Canada and Mexico, as we have already lost significant downstream business to those countries.

We encourage the Steel Caucus to urge the Administration to quickly take this additional action in order to ensure the President's steel Section 232 tariff is effective and that the U.S. maintains the production capacity to produce all products throughout the electrical infrastructure supply chain. We believe virtually all of the analysis is already complete and thus can be addressed immediately. This is fundamental to the U.S. electric power grid which serves as one of the Nation's vital life-lines. It is also critical to protecting jobs and ensuring our country's long-term economic security.

Thank you.