

Testimony of Roger K. Newport
Chief Executive Officer
AK Steel Corporation
May 24, 2017

Thank you Secretary Ross. My name is Roger Newport, and I am the CEO of AK Steel Corporation. I want to thank you for the opportunity to testify on behalf of AK Steel and our 8,500 U.S.-based employees.

AK Steel welcomes the Department of Commerce's Section 232 investigation of the serious threat posed by imported steel to our national security. For decades, the steel industry has battled global overcapacity and the oversupply of U.S. imports, many of them dumped and subsidized. Just since the beginning of 2015, over 14,000 steel workers have been laid off and numerous production facilities have been idled, including AK Steel's blast furnace and steelmaking operations in Ashland, Kentucky. Unfortunately, unfairly traded imports remain a severe threat to the long-term viability of the domestic steel industry.

AK Steel is the only company in the U.S. that produces a combination of flat-rolled carbon steel, stainless steel, and electrical steel products. While I can certainly speak to the adverse impact of imports on each of these types of steel, I would like to focus my remarks today on electrical steel. AK Steel is the sole domestic producer of grain-oriented electrical steel, or GOES, which is used in cores and core assemblies for the production of electrical transformers. Transformers are a key component of our nation's electricity grid, from the large transformers that transmit power across the entire grid, to the smaller transformers that deliver power to our homes and businesses. AK Steel is also the sole domestic producer of high-end non-oriented electrical steel, or NOES, products. NOES is also critical for the electrical grid, as it forms the heart of massive generators that actually create electrical energy.

About 2,000 highly-skilled workers melt and finish electrical steel products at our Butler Works facility in Pennsylvania and finish electrical steel at our Zanesville Works facility in Ohio. AK Steel also conducts extensive electrical steel research and development at our state-of-the-art Research and Innovation Center in Middletown, Ohio.

While we strongly believe that electrical steel plays a crucial role in our national security, so do many others. Pursuant to policy directives issued by both President Obama and President George W. Bush, the Department of Energy has identified electricity transmission systems as infrastructure that is critical to our national security and that requires urgent attention. The government has identified equipment failure and aging infrastructure in the U.S. as threats to our national security. Because virtually all households and businesses rely on electricity, the security and long-term viability of U.S. electrical infrastructure is a critical, national imperative.

A secure, reliable supply of electrical steel is necessary to maintain the electrical grid. Major blackouts, such as the one in San Francisco last month that shut down the financial center of the city, demonstrate that the lack of reliable electrical grid infrastructure is a major threat to our national economy. Major blackouts may occur as a result of grid obsolescence, severe weather events like Hurricane Katrina or Superstorm Sandy, or cyber, terrorist or other attacks on our electrical grid infrastructure. A secure, domestic source of electrical steel is more important than ever before. Fortunately, AK Steel has sufficient production capacity to meet current and future estimated demand within the United States and we can quickly react to national emergencies, as we did following Hurricane Katrina.

Due to competition from dumped and subsidized imports, the only other U.S. producer of GOES, Allegheny Technologies, shuttered a plant and discontinued GOES production in 2016. High-end electrical steel is an incredibly difficult product to manufacture, as it requires a

significant amount of dedicated, capital equipment and a sophisticated, well-trained workforce. Therefore, if AK Steel were to exit the market, there would be no operational electrical steel manufacturing equipment in the United States, the specialized labor and related expertise in operations would be lost, and many of AK Steel's talented operators and researchers would either re-locate to other businesses, industries and/or foreign countries, or become unemployed.

AK Steel strongly supports Presidential action to stem the surge of imported electrical steel. We are, however, very concerned that importers will simply side-step the relief that covers steel by using foreign electrical steel to build cores and transformers outside the United States, then import those cores and transformers into the United States. Therefore, to effectively address the vital national security interests of the United States and to protect the domestic electrical grid for the long-run, the Department of Commerce must include imported cores and transformers in any relief that covers imports of electrical steel. Without addressing this supply chain issue, any remedy on electrical steel will be easily circumvented. Keeping imports of electrical steel, cores, and transformers at a reasonable level would balance the interests of protecting our national security with allowing a reasonable level of imports to meet the ongoing needs of buyers of these materials. Complete reliance on imports for these critical products, however, would ultimately lead to dependency on foreign sources for the materials needed to maintain and modernize the electrical grid.

Thank you again for the opportunity to testify. I would be pleased to answer your questions.