

ArcelorMittal USA
President & CEO



May 31, 2017

Mr. Brad Botwin
Director, Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
Room 1093
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Mr. Botwin:

ArcelorMittal USA appreciates the opportunity to provide written comments to supplement my oral testimony at the May 24th hearing regarding the investigation initiated by the Secretary of Commerce under section 232 of the Trade Expansion Act of 1962 to determine the effects on the national security of imports of steel. We commend the Administration for probing this very important topic and advocating policies that benefit US steel producers, steelworkers and the communities in which we operate.

By way of background, ArcelorMittal USA LLC is a subsidiary of ArcelorMittal S.A., the world's leading steel and mining company. ArcelorMittal supplies quality steel products in major North American markets including automotive, construction, pipe and tube, appliance, container, machinery and defense. In the United States, ArcelorMittal employs approximately 20,000 people at 27 operations in 14 states and the District of Columbia and can melt 17,150,000 slab tons per year.

Our mining and production facilities include iron ore mines in Minnesota; coal mines in West Virginia and Virginia; steelmaking operations in Indiana, Ohio, and Pennsylvania; and steel finishing operations (including tubular and tailored blanks) in Illinois, Iowa, Indiana, Michigan, Ohio, Pennsylvania, West Virginia, North Carolina, Tennessee, Mississippi and Alabama. Detailed information regarding our facilities is available on the ArcelorMittal USA website at: www.usa.arcelormittal.com.

ArcelorMittal USA invests about \$250 million annually in our US operations, plus additional community support and STEM (science, technology, engineering and math) education efforts to help train the workforce of the future. ArcelorMittal also invests significantly in research and development—over \$225 million globally each year—which helps us meet the constantly changing needs of our customers. We have over 1,400 full-time researchers at 12 laboratories worldwide, including in East Chicago, Indiana. Our R&D focuses on innovating to meet customer demands, maintaining the competitiveness of steel versus alternative materials, creating niche products and improving the steelmaking process.

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ArcelorMittal USA's Contribution to the National Defense and Defense Infrastructure

Serving the needs of our nation's military has been a long-time, multi-generational priority of ArcelorMittal USA and our predecessor companies, in particular, Lukens Steel Company and Bethlehem Steel Corporation. ArcelorMittal produces military grade armor plate in Coatesville, Pennsylvania, at the longest continually operating steel plant in the US which opened 207 years ago. We are currently the largest supplier of armor steel plate for the United States Armed Forces.

ArcelorMittal USA's armor plate products find application in many fighting vehicles used by the US Army and/or Marine Corps including the Abrams M1 main battle tank, the Bradley fighting vehicle, M88 recovery vehicles, the Stryker family of fighting vehicles, various MRAP (Mine Resistant Ambush Protected) vehicles and the up-armored Humvee. The Army's demand for armor plate changed drastically with the design of the new Main Battle Tank-M1 Abrams in the 1970s. This Tank would be fabricated from armor plate which changed or would change the fabrication of all Combat Vehicles. Steel armor plate's low cost along with significant size capabilities, gave the designer greater flexibility in producing a very mobile, lethal, and survivable tank. Almost 10,000 M1 tanks have been produced and ArcelorMittal USA's Coatesville and Conshohocken plants were the primary producers of the armor plate. More recently, Coatesville and Conshohocken produced armor plate for 18,000 unarmored Humvees which were not equipped for the new improvised explosive device (IED) threat in Iraq and Afghanistan.

The shipbuilding industry is another long-standing customer for ArcelorMittal USA's plate business. We supply steel plate for a variety of United States Navy vessels, including aircraft carriers, submarines, littoral combat ships, guided-missile destroyers, amphibious assault ships, landing helicopter dock (LHD) ships, landing helicopter assault (LHA) ships, mobile landing dock (MLP) ships and Coast Guard national security cutters (NSC). We have supplied steel plate for every submarine and aircraft carrier in the Navy's fleet, including the current Virginia class nuclear-powered submarines and the nuclear powered Ford class aircraft carriers. Further, the Ohio replacement/Columbia class submarines will require armor plate.

ArcelorMittal USA is the primary supplier of steel plate and Navy armor plate to the naval shipbuilders including Huntingdon Ingalls Industries (HII) in Pascagoula, Mississippi, and Newport News Shipbuilding in Virginia; General Dynamics (GD), Bath Iron Works in Maine and GD Electric Boat in Connecticut; and Fincantieri/Marinette Marine Corporation in Wisconsin.

We have supplied steel plate to virtually every submarine in the Navy's existing fleet. Historically, as the only 'made and manufactured in the USA' producer of Navy armor plate, we have long been the sole qualified US supplier of these grades of steel to the Navy. Our Coatesville and Conshohocken plate mills are uniquely qualified to melt and produce the plates required for these ships. There is a significant amount of expertise required to melt, roll, heat treat, test, inspect and, at times, condition these difficult-to-produce, high-strength grades of plate.

The US Navy's most recent force structure assessment concludes that addressing current and future threats to US national security will require a larger fleet of 350-360 ships, which would entail an increase in naval shipbuilding over the coming years. The Navy, the shipbuilders and their suppliers including ArcelorMittal are working together to ensure that an accelerated shipbuilding schedule can be accommodated by the industrial supply base and supported by the most advantageous purchasing and funding mechanisms. As in most

purchasing situations, the use of bulk buying, long lead-times and certain technical requirements can lower the per-ship cost and construction time. We are supporting the aggressive cost and schedule requirements of the Navy through our shipbuilding customers.

ArcelorMittal USA also supplies tubular steel products for other direct defense needs. These military-related products include bomb shells, vehicle cylinders for Humvees, axles for trailers that haul M-1 tanks, 500-pound bomb rings, and cylinders on Patriot missile launchers.

Preserving domestic steelmaking and finishing capacity to provide the highly specialized steel for US defense purposes is without a doubt a national security issue. The most important point to make, however, is that the steel tonnage directly used for national security and defense purposes is quite small compared to that of the broader commercial market for steel products. ArcelorMittal USA's defense market sales account for less than 1% of total production. In other words, defense-related sales of steel alone are not the determining factor in whether a steel mill is successful and sustainable. Instead, the **commercial viability** of a steel operation is imperative for retention of that operation's ability to serve the defense needs of the nation both in times of peace and war.

ArcelorMittal USA Supplies Steel for Critical National Infrastructure

Beyond direct national defense uses of US produced steel are other steel markets that impact overall national security and the economic wellbeing of the country. These would include public and private infrastructure, energy markets and others.

Transportation Infrastructure. --ArcelorMittal supports the need for greater investment in our nation's infrastructure, including rail, transit, highways, bridges and seaways. From shipbuilding and ropes for cableways to passenger rail and tanker cars, ArcelorMittal provides steel for a range of industries within the transportation sector. We are a leader in the development of steel for bridge applications, including more corrosion-resistant steels, and the unique size capabilities of our operations have proven themselves in the bridge market. A recent example includes the upgrade to the Tappan Zee Bridge, across the Hudson River north of New York City. This is the largest transportation design-build project to date in the US and is one of the largest construction contracts in New York history. Our facilities in Burns Harbor, Indiana, and Coatesville and Conshohocken, Pennsylvania, are providing high performance steel (HPS) for the project which is designed and constructed to last 100 years without major structural maintenance, due in part to the use of corrosion-resistant steels.

In addition to HPS, we have also developed a corrosion-resistant plate steel called Duracorr® that is used in bridge applications, including two recent projects in Oregon. Duracorr has a unique feature in that it corrodes in salt-containing environments at one-tenth the rate of weathering steel. This makes it possible to build a bridge from Duracorr that never needs painting. When compared to weathering, painted or galvanized steels, Duracorr has life cycle cost advantages that permit its effective use in a wide variety of applications. Use of Duracorr also benefits the environment by reducing costs to re-paint bridges and avoids societal costs of traffic jams, excessive fuel use and resultant pollution.

ArcelorMittal USA is also one of only three domestic manufacturers that produces rail through our Steelton, Pennsylvania, facility. This facility has produced rail for over 148 years and is capable of making one million tons of raw steel annually, serving rail customers such as the Metropolitan Transportation Authority in New York City and the Washington Metro. In addition, the Steelton facility is the only producer of tram rails in the US, providing materials for the construction of the new Kansas City streetcar system. Our freight rail products are essential

for continued or expanded operation of our economy including the ability to move raw materials and steel to and from manufacturing facilities.

Our rail mill in Pennsylvania is also a key supplier of steel ingots for a customer that makes a wide variety of heavy forged products including ship shafts and pressure vessels for the defense market; pressure vessels for the commercial nuclear and petrochemical markets; generator shafts for the power generation business; forged steel rolls for the flat rolling market; and shafts and cylinders for capital goods, among other end uses.

Energy Infrastructure. --Demands for steel products used to support energy transmission and distribution have been one of the fastest growing segments for US steel consumption in recent years driven by increases in natural gas and oil production through shale development. ArcelorMittal USA produces a full range of steel grades for the energy transmission and distribution markets, including for the production of large diameter line pipe. We've been a leader in developing wide API X-70 steel for U.S. pipeline projects. We are committed to serving U.S. customers who need this advanced product and have invested significantly in the production of both plate and hot-rolled steel for our line pipe customers. Those investments include accelerated cooling, surface quality control, slab processing and software for process control and statistical analysis to support our X-70 and other cut-to-length (CTL) plate production capabilities.

Hot-rolled steel in coils and cut-to-length plate are key inputs in the production of line pipe, which is used in the gathering, transmission, and distribution of oil and natural gas. In addition, hot-rolled steel products are key inputs in the production of oil country tubular goods (OCTG), which are tubular steel products used in oil and gas wells and include casing, tubing, and coupling stock of carbon and alloy steel.

Steel plate is also used in electrical transmission towers, wind towers, off-shore oil and gas platforms and petrochemical refinery pressure vessels.

The Impact of Unfairly Traded Imports on ArcelorMittal USA

In response to a flood of unfairly traded imports from China and other countries, ArcelorMittal USA joined in 2015 with other U.S. producers to bring a number of trade remedy cases. Unfairly traded imports of flat steel products including hot-rolled, cold-rolled, corrosion-resistant steel and steel plate increased by almost 100% between 2013 and 2015 from the countries investigated. The Department of Commerce and International Trade Commission imposed remedies, but the damage was already done. Our revenue decreased by almost 20%. While the duties imposed have been helpful, imports from other foreign suppliers have increased such that import market share remains at historically high levels.

Our operations which produce steel for military applications were not immune from the negative impact of these imports. Specifically, imports of cut-to-length plate from 12 countries, including China, increased by over 100 percent between 2013 and 2015. The ITC found that, as a result, the U.S. plate industry's operating income had dropped 75% over those three years. ArcelorMittal USA saw its steel plate sales drop by a third in one year. By 2015, our plate operations were running at only 55% of their capacity and plate prices fell to the lowest levels in more than ten years. When we are forced to price at levels that do not cover our costs, then we also are not generating the capital required to reinvest in our operations. And if we cannot reinvest, we cannot remain on the cutting edge of new technology for the future, for our commercial business or for our military business.

The surge of imports into the United States was largely driven by foreign government policies that have fueled global overcapacity in steel, which the OECD has estimated to be more than 700 million metric tons. In particular, Chinese government industrial and trade policies have driven Chinese steel production from 128 million metric tons in 2000 to over 808 million metric tons last year. In 2016, China exported 108 million metric tons. Those exports have had direct negative effects on U.S. steel producers. They also have an indirect impact when they displace steel in other countries whose producers then ship to the U.S. market. Equally troubling is the impact of foreign subsidized steel when it is imported in the form of downstream products, impacting our customer base.

It is easy, and correct, to point to China as the main culprit. But it is not just China. We face challenges from countries as diverse as Korea, Russia, Turkey, and others. The result – we sell less steel, receive less money for the steel we do sell, and employ fewer workers. Over the long term, this situation is not sustainable for U.S. producers who operate without the kind of government support provided to the Chinese steel industry.

ArcelorMittal USA Supports Section 232 Investigation

ArcelorMittal USA welcomes the Section 232 investigation because we need solutions to the unfair import problem at the U.S. border. The antidumping and countervailing duty orders have certainly been helpful but they are being circumvented. As a result, ArcelorMittal USA supports a more broad-based import remedy to address the current unfair import problem.

At the same time, we urge the Administration to continue its efforts to find a solution to the excess steel capacity that is impacting global markets. Governments throughout the steelmaking world should make clear to China that it needs to reduce excess capacity in steelmaking – the way a market-based economy would – rather than exporting it. An objective of any actions should be to increase global pressure on China to change the policies that led to the creation of non-economic steel capacity and to discourage other governments from adopting similar policies. Those policies have distorted global trade flows and harmed our national security.

In summary, ArcelorMittal USA would like to thank the President and the Department of Commerce for focusing attention on the critical role domestic steel producers play in our national security. ArcelorMittal USA and our predecessor companies in the US have a long history of producing the high quality steel that built our advanced economy – from the sky scrapers of our largest cities to the bridges Americans use every day to the US military's ships and armored vehicles that keep our service men and women safe around the world. Our 20,000 US employees are very proud of their work and committed to playing an important role in our modern economy.

Sincerely,



John Brett
President & CEO
ArcelorMittal USA