

STATEMENT OF C. WILLIAM VERITY, JR., PRESIDENT, ARMCO STEEL CORP.

Mr. Chairman and members of the Committee, my name is William Verity. I am president of Armco Steel Corporation, a fully integrated producer of steel mill products with headquarters in Middletown, Ohio. This statement is submitted on behalf of the 40,000 men and women employed by Armco throughout the United States as well as approximately 75,000 persons who have invested in the common stock of the company. We appreciate this opportunity to request your favorable consideration of legislation for immediate limitations on the import of foreign steel.

Very frankly, our concern about excessive foreign steel imports stem from our desire to maintain Armco as a company with a future—a future that can create new jobs for today's young people, offer greater advancement opportunity and other rewards for performance to present employees, and provide a reasonable return on investment to our shareholders.

By January 1, 1970—about 18 months from now—Armco will have completed almost all of a six-year, 800-million-dollar program of capital improvements to steelmaking and manufacturing facilities in California, Kentucky, Maryland, Missouri, Ohio, Oklahoma, Pennsylvania and Texas, and to our coal mines in West Virginia.

This represents the greatest capital improvements program in our history. By 1970, Armco will have nearly doubled—within just six years—its total investment in property, plant, and equipment (and will have become a commensurately higher contributor to Federal and local tax revenues). At the same time, our company's long-term debt load and lease obligations will be more than three times as heavy as they were in 1964.

When Armco management made the decision early in 1964 to commit this enormous amount of capital to more productive and more versatile facilities, it represented the culmination of many exhaustive studies of market conditions and steelmaking technology. But it also was based in part on these two assumptions:

First, that the total consumption of steel in the United States would continue to keep pace with general economic growth, i.e. a growth rate of about 4% annually.

Second, that with these advanced and more productive facilities, Armco could at least maintain its current share of the market.

It is now painfully apparent that our 1963 projections should have given greater weight to the fantastic growth of steel imports. Otherwise, current figures indicate that our assumptions were on the conservative side—the growth in apparent domestic consumption has been at an average rate of 5.2% since 1962, and Armco has slightly improved its relative position as a domestic steel producer.

But too much of this growth in consumption went to foreign producers, during the period 1962-67, when steel imports grew at an average rate of 22.8% annually. We developed our projections during a period when foreign steel imports represented only 1 ton in 16 of apparent domestic consumption; today, that ratio is 1 ton in 8, and growing.

We at Armco still have faith in the strength and potential of the U.S. economy, but we no longer have assurance that the domestic steel producers, including our company, will be allowed to share proportionately in this growth.

As I see it at this time, Armco can realize the benefits of its capital improvements—and the additional jobs and revenues such improvements can bring—only if some equitable method can be worked out whereby our company can share in the growth of domestic consumption. The Iron and Steel Orderly Trade Act, in my opinion, will provide all steel producers, both United States and foreign, an opportunity to participate in the anticipated growth of our domestic steel markets.

If no action is taken to restrain imports, I am convinced that foreign steel will take an even greater share of the domestic market. Under such circumstances, the debt burden Armco has already assumed for this capital improvements program could very well sap our financial resources to the point where it will be difficult to maintain a satisfactory rate of growth.

Armco management has already reached the point at which we are reluctant to commit ourselves to further capital investment for steelmaking operations. As an example, we intended to ask our Board of Directors last Friday to authorize funds for two major additions at our steelmaking plants. But after reviewing the current situation, our Executive Committee decided to defer both recommendations. While I would prefer not to identify the facilities or the plants