United States International Trade Commission

Steel: Monitoring Developments In The Domestic Industry
(Investigation No. TA-204-9)

Steel-Consuming Industries: Competitive Conditions With Respect To Steel Safeguard Measures
(Investigation No. 332-452)

Volume I: Executive Summaries and Investigation No. TA-204-9 (Part I) (Overview , Flat and Long Products)

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Steel-Consuming Industries: Competitive Conditions With Respect to Steel Safeguard Measures (Investigation No. 332-452)

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ERRATA SHEET

Publication No. 3632 *Steel: Monitoring Developments in the Domestic Industry* (Investigation TA-204-9) and *Steel-Consuming Industries: Competitive Conditions With Respect to Steel Safeguard Measures* (Investigation No. 332-452) has been edited since its initial publication. The new release of Publication No. 3632 reflect changes in page numbering and the tables of contents only. There are no changes to the data or subject matter of the publication.

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EXECUTIVE SUMMARY
INVESTIGATION NO. TA-204-9

EXECUTIVE SUMMARY

BACKGROUND

On March 5, 2002, following affirmative determinations of serious injury or threat of serious injury by the Commission under section 202 of the Trade Act of 1974 (the Act), the President implemented safeguard actions to facilitate efforts by various domestic steel industries and their workers to make a positive adjustment to import competition with respect to certain steel products. The safeguard measures encompass 10 different product categories: certain carbon and alloy flat-rolled steel, tin mill products, hot-rolled bar and light shapes, cold-finished bar, rebar, certain welded pipe and tube, fittings and flanges, stainless steel bar, stainless steel rod, and stainless steel wire.

Presidential Proclamation 7529 implemented relief action in the form of tariffs and tariff-rate quotas, effective March 20, 2002, for a period of 3 years and 1 day. The principal provisions of the proclamation are detailed in the individual product discussions below. The safeguard measures apply to imports of subject steel products from all countries except Canada, Israel, Jordan, and Mexico, which have entered into free trade agreements with the United States, and most developing countries that are members of the World Trade Organization. The President's initial proclamation also excluded numerous specific products from the measures, and the U.S. Trade Representative subsequently announced three additional lists of product exclusions on July 12, 2002, August 30, 2002, and March 31, 2003. The first phased reduction of the relief action (generally, a lowering of tariffs) took effect on March 20, 2003.

The Commission instituted this monitoring investigation under section 204(a)(2) of the Act for the purpose of preparing a mid-point report to the President and the Congress regarding developments with respect to the pertinent domestic steel industries (the 10 industries producing products corresponding to those subject to the safeguard measures) since the imposition of import relief. Pursuant to section 204(a)(1) of the Act, the Commission's report includes information concerning the progress and specific efforts made by workers and firms in these domestic industries to make a positive adjustment to import competition.

The Commission collected data for the period April 2000 through March 2003 for purposes of this investigation. The final 12 months of this period, which correspond to the first year the safeguard measures were in effect, are called "the first relief year" in this Executive Summary. Descriptions below of how industry indicators changed in "the first relief year" compare data collected for the period April 2001 through March 2002, on the one hand, with data collected for the period April 2002 through March 2003, on the other.

The Commission sent questionnaires to approximately 800 firms identified as potential domestic producers of the products subject to the safeguard measures and received responses from 115 domestic producers. It sent questionnaires to approximately 300 importers and received responses from approximately 200. It also received questionnaire responses from nearly 500 U.S. purchasers, and more than 100 foreign producers.

The Commission conducted 4 days of hearings in this investigation in which it received testimony from U.S. steel producers, U.S. steel workers, foreign steel producers, U.S. importers of steel products, U.S. purchasers of steel products, and Congressional and state government witnesses. Numerous parties submitted pre-hearing and post-hearing briefs.

OVERVIEW OF U.S. AND GLOBAL STEEL DEVELOPMENTS

The United States economy was in recession from March 2001 to November 2001. In the period since imposition of the steel safeguard measures, U.S. demand for most steel products has been weak. In eight of the ten product categories subject to safeguard measures, most U.S. producers and importers reported that U.S. demand for steel has declined since March 2002; responses of market participants in the other two categories were mixed. The market participants that reported demand had declined often referred to the poor overall condition of the U.S. economy, citing in particular weak demand in those industrial sectors that use steel products. While U.S. prices for steel products generally increased for different products, albeit at different rates, many industries reported rising input costs as well.

Despite operating in a general environment of weak demand, U.S. raw steel production increased between calendar years 2001 and 2002, although it remained below 1999 and 2000 levels. U.S. steel production capacity declined in 2002 due to numerous plant closings. Because production increased while capacity declined, the capacity utilization of U.S. steel producers increased to 88.8 percent in 2002 from 79.7 percent in 2001.

The number of U.S. workers employed by manufacturers of basic steel products and in blast furnaces and steel mills declined by 17 percent and 19 percent, respectively, from 1999 through 2002. U.S. productivity, measured in tons of crude steel produced per employee, rose from 1999 to 2002.

World crude steel production also increased from calendar years 2001 to 2002, and was higher during the first quarter of 2003 than during the first quarter of 2002. During 2002, the United States remained a leading producer of raw steel, although its share of world production had fallen to 10.2 percent. By contrast, the U.S. share of world production was 12.4 percent in 1999. The concentration of the steel industry worldwide increased slightly from 1999 to 2002.

There have been considerable changes in the number and composition of U.S. steel producers both before and since imposition of the safeguard measures. Since January 1999, 31 steel companies producing products subject to the safeguard measures have filed for bankruptcy protection. Seven of these companies have sought bankruptcy court protection since imposition of the safeguard measures. Although most of these companies continued to operate while they developed and implemented reorganization plans, several have liquidated.

Since imposition of the safeguard measures, the industries producing steel products have undergone major restructuring and consolidation. The assets of several bankrupt steel producers have been acquired by other firms. For example, International Steel Group (ISG) acquired the steelmaking assets of LTV Steel (LTV), Acme Metals, and Bethlehem Steel. U.S. Steel Corp. (U.S. Steel) acquired the assets of National Steel. Nucor Corp. (Nucor) acquired the assets of Trico Steel and Birmingham Steel. In a significant merger, several producers of long products merged to form Gerdau Ameristeel.

Steel producers and the United Steelworkers of America (USWA), the principal union representing steelworkers in the United States, have negotiated groundbreaking collective bargaining agreements since imposition of the safeguard measures. In September 2002, the USWA adopted a new set of bargaining principles that it has used in subsequent labor negotiations. These principles were designed to reduce fixed costs, improve productivity, and protect retiree welfare. They served as the basis for agreements the USWA made in 2003 with ISG, U.S. Steel, and Wheeling-Pittsburgh Steel and are expected to serve as the basis for future agreements.

Many steel producers that sought bankruptcy protection have terminated or restructured employee pension and benefit programs that they had not fully funded. The USWA-ISG collective bargaining agreement discussed above contains provisions pertaining to some of the pension and benefit costs of the bankrupt producers whose assets ISG acquired. Since March 2002, the Pension Benefit Guaranty Corporation (PBGC), a U.S. government agency, has taken over pension plans of nine U.S. producers of steel subject to the safeguard measures. The estimated unfunded pension liabilities that the PBGC assumed from these producers exceeds $8 billion. Problems among U.S. steel producers pertaining to unfunded employee benefit liabilities are not, however, limited to bankrupt firms. In 2002, publicly-held steel producers whose reports the Commission examined stated that their total unfunded pension liabilities exceeded $8 billion and their unfunded liabilities of other post-employment benefits were almost $12 billion. Both these amounts were significantly higher than in 2001, the latest year these companies' pension benefits were fully funded.

State and local governments have implemented relatively few new programs to benefit steel producers since imposition of the safeguard measures, and the Federal government has implemented no such measures. By contrast, two federal and eight state programs were implemented between 1998 and 2002. The United States has been an active participant in multilateral discussions seeking to address overcapacity and steel subsidies coordinated by the Organisation for Economic Co-Operation and Development. As of July 2003, elements of an agreement for reducing or eliminating subsidies had been roughly defined, although further work remained to conclude the agreement.

CARBON AND ALLOY FLAT STEEL

The flat steel product categories subject to safeguard measures are certain carbon and alloy flat-rolled steel and tin mill products (tin). Developments in import trends, industry conditions, and pricing are summarized separately for these two product categories. Because several U.S. producers produce steel in both product categories, their adjustment efforts are discussed collectively.

Certain Carbon and Alloy Flat-Rolled Steel

There are several forms of certain carbon and alloy flat-rolled steel that vary by the nature of their processing. The semifinished form is slab. Further processed forms include plate, hot-rolled steel, cold-rolled steel, and coated steel. The Presidential Proclamation imposed the following safeguard measures on different forms of certain carbon and alloy flat-rolled steel:

- For slab, there is a tariff rate quota (TRQ) of 4.90 million metric tons (5.40 million short tons) in the first year of the measure, 5.35 million metric tons (5.90 million short tons) in the second year, and 5.81 million metric tons (6.40 million short tons) in the third year, with no increase in duties for imports below the within-quota level and an increase in duties of 30 percent *ad valorem* for imports above the within-quota level in the first year of the measure, 24 percent in the second year, and 18 percent in the third year.

- For the remaining forms of certain carbon and alloy flat-rolled steel, there is an increase in duties of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year.

In the first relief year, total imports increased, as the increase in imports from sources not covered by the safeguard measure was greater than the decline in imports from covered sources. The quantity of total imports increased from 15,998,677 short tons to 17,166,839 short tons, and their market share increased from 8.4 percent to 8.5 percent. Imports from countries covered by the safeguard measure declined from 11,065,158 short tons to 8,366,746 short tons, and their market share declined from 5.8 percent to 4.1 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 4,933,519 short tons to 8,800,093 short tons, and their market share increased from 2.6 percent to 4.4 percent. Imports from Canada and Mexico accounted for the bulk of the increase.

Semifinished forms of certain carbon and alloy flat-rolled steel are used to make further processed forms of the product. Further processed forms are used in such end-use applications as transportation equipment (such as automobiles, rail cars, and ships and barges), construction, appliances, heavy machinery, and machine parts. During the first relief year, demand for the end-use products in which certain carbon and alloy flat-rolled steel is used either rose very modestly or declined. The value of U.S. manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003. During the same period, the value of U.S. nonresidential construction that was put in place declined by 4.8 percent. Most of the responding U.S. producers and importers cited general weakness in the U.S. economy, as well as weaknesses in such sectors as automotive, construction, and capital goods, in reporting that demand for steel has decreased since March 2002.

Although growth in demand was at most modest and total imports increased, output-related indicators for the domestic industry such as production and shipments increased in the first relief year. Production increased by 6.8 percent and the quantity of U.S. shipments increased by 6.0 percent. Capacity utilization increased modestly in the first relief year, as the industry's capacity levels were affected by shutdowns of some mills, and the subsequent reorganization and restarting of certain operations. Employment declined by 10.0 percent in the first relief year. Productivity increased from 830.1 to 934.1 short tons per 1,000 hours in the first relief year. By contrast, for the period from April 2000 to March 2001, productivity was 771.2 short tons per 1,000 hours.

The average unit values (AUVs) that the industry received for commercial sales increased from $366 to $413 in the first relief year. Cost of goods sold (COGS) declined on a unit basis, notwithstanding an increase in unit raw materials costs. Because unit revenues increased while unit costs declined, and output increased, the industry's financial performance improved in the first relief year. Its operating margin in the first relief year was 3.1 percent. By contrast, the domestic industry recorded operating losses in the two prior 12-month periods for which the Commission collected data in this investigation.

The Commission collected quarterly pricing data for eight different products in the certain carbon and alloy flat-rolled steel category. Prices for most of these products increased sharply in the second and third quarters of 2002, following imposition of the safeguard measures, and then declined somewhat during the first quarter of 2003. For each of the products, prices for the domestically produced product were higher during the first quarter of 2003 than during the first quarter of 2002. For all but one of the eight domestically produced products, however, the first quarter 2003 price was below that of the second quarter of 2000. The trends in prices for most imports were similar, regardless of whether the imports were from sources covered or not covered by the safeguard measure. Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports from sources covered by the safeguard measure for six of the eight products. During this period, prices for imports from sources not covered by the safeguard measure increased for six of the seven products for which observations were available. During the first relief year, imports from sources covered by the safeguard measure undersold the domestically produced product in 11 of 31 quarterly comparisons. Imports from sources not covered by the safeguard measure undersold the domestically produced product in 21 of 28 quarterly comparisons.

Tin

The Presidential Proclamation included an increase in duties on tin of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year.

In the first relief year, total imports of tin, as well as imports from covered sources, declined sharply, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 581,523 short tons to 326,280 short tons, and their market share fell from 16.8 percent to 9.6 percent. Imports from countries covered by the safeguard measure decreased from 437,045 short tons to 165,059 short tons, and their market share declined from 12.6 percent to 4.9 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 144,479 short tons to 161,221 short tons, and their market share rose from 4.2 percent to 4.7 percent.

Tin is used primarily in the manufacture of welded can containers for food, beverages, aerosols, and paint. During the first relief year, U.S. demand for tin was weak. The quantity of U.S. manufacturers' shipments of steel cans for food declined by 3.8 percent between the first quarter of 2002 and the first quarter of 2003. U.S. tin producers provided mixed responses when asked whether demand for steel products has increased since imposition of the safeguard measure, while most importers stated that demand had declined.

In the first relief year, the domestic industry increased its share of the U.S. market from 83.2 percent to 90.4 percent. Despite declining demand, output-related indicators such as production and shipments increased in the first relief year. These increases, however, were only sufficient to put production and shipments at roughly the same level they were in the period from April 2000 to March 2001. Capacity utilization increased from 78.1 percent to 88.0 percent in the first relief year. The capacity of the U.S. tin industry declined by 2.3 percent. Employment declined by 9.3 percent and productivity increased by 16.9 percent in the first relief year. There were fewer reporting tin producers in the first relief year than in the preceding 12-month period.

The AUVs that the tin industry received for commercial sales increased from $589 to $596 in the first relief year. COGS declined on a unit basis, notwithstanding an increase in unit raw material costs. Despite these improvements, as well as increased output, the industry continued to operate unprofitably. Its operating margin moved from negative 9.7 percent to negative 4.4 percent in the first relief year.

Quarterly prices for the domestically produced tin product for which the Commission collected pricing data rose by 1.8 percent from the first quarter of 2002 to the first quarter of 2003; the first quarter 2003 price differed only slightly from that of the second quarter of 2000. Prices declined for imports of this product from sources covered by the safeguard measure, as well as sources not covered, from the first quarter of 2002 to the first quarter of 2003. During the first relief year, imports from sources covered by the safeguard measure undersold the domestically produced product in two of four quarterly comparisons, and imports from sources not covered by the measure undersold the domestically produced product in all four quarterly comparisons.

Adjustment Efforts of the Industries Producing Flat Steel Products

Pursuant to section 204(a)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to make a positive adjustment to import competition. During the section 201 investigation, the individual producers of certain carbon and alloy flat-rolled steel and tin submitted adjustment plans that included: (1) restoring financial stability; (2) investing in more efficient facilities and equipment; (3) developing new products and markets; and (4) pursuing market-based consolidation and rationalization.

Since the safeguard measures went into effect, there has been extensive restructuring of the domestic industries producing certain carbon and alloy flat-rolled steel and tin. There are fewer domestic producers. Four of the largest U.S. producers of certain carbon and alloy flat-rolled steel and tin – Bethlehem, National, LTV, and U.S. Steel – have been consolidated into two companies, which are now owned by ISG and U.S. Steel. ISG, U.S. Steel, and Nucor have invested a total of $3 billion to restructure and consolidate the industries by purchasing the assets of other companies. ISG was formed in March 2002 and purchased assets of producers LTV, Acme, and Bethlehem in 2002 and 2003. Nucor expanded by purchasing the assets of idled producer Trico Steel Company in July 2002. U.S. Steel finalized its purchase of National Steel in May 2003.

As part of the restructuring process, the USWA has reached innovative new collective bargaining agreements with several producers, including ISG, U.S. Steel, and Wheeling-Pittsburgh. USWA membership has ratified all three agreements. The agreements are designed to achieve goals such as reducing fixed costs, improving productivity, and protecting retiree welfare. For example, the agreement with ISG: (1) permits the company to cut the workforce by 40 percent, and includes a $125 million transition assistance program, (2) reduces job classifications from over 30 to five, (3) increases employee job flexibility and training programs, (4) introduces profit sharing, (5) restricts executive compensation, (6) requires company investment to maintain competitiveness, and (7) establishes a benefit trust to provide some health-care relief to retirees. Additionally, Weirton Steel Corp. and the Independent Steelworkers Union entered into a collective bargaining agreement in 2003 that provides for pay cuts and a pension plan freeze.

Additionally, several domestic producers have made or authorized capital investments, which in the aggregate exceed $500 million, to upgrade existing facilities and invest in new technologies to reduce costs and improve product quality. For example, U.S. Steel has invested $200 million, half of which is dedicated to steelmaking (i.e., blast furnace and basic oxygen furnace) operations. ISG invested $53 million to start up and begin modernizing its purchased LTV and Acme facilities; it recently announced investments of $272 million in its Burns Harbor facility. Nucor, Ispat Inland, and Gallatin have also committed significant funds to capital investments.

The legislative history of Section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. Domestic producers of certain carbon and alloy flat-rolled steel and tin described several factors that affected their adjustment efforts. As referenced in the product-specific discussions above, because of the condition of the U.S. economy, demand for these products was weak during the first relief year. Additionally, imports from countries not covered by the safeguard remedies increased. Further, several producers that are significant slab purchasers claimed that the measure on slab adversely affected the rolling capacity of the industry producing certain carbon and alloy flat-rolled steel. Other producers did not agree that the TRQ on slab was hurting the industry's adjustment efforts, noting that the quota has not been fully utilized, domestic sales of slab have increased, and rerollers' profitability has increased.

Parties opposed to the safeguard measures acknowledged that the domestic industries producing certain carbon and alloy flat-rolled steel and tin have restructured and consolidated, and that producers and labor had negotiated new collective bargaining agreements. They contended, however, that these changes were not the result of the safeguard measures. They argued that the safeguard measures had harmed steel users, and that a continuation of relief would hamper further rationalization and removal of inefficient capacity.

CARBON AND ALLOY LONG STEEL

The long steel product categories subject to safeguard measures are hot-rolled bar and light shapes (hot bar), cold-finished bar (cold bar), and rebar. Developments in import trends, industry conditions, and pricing are summarized separately for the three product categories. Because several U.S. producers produce more than one of these product categories, their adjustment efforts are discussed collectively.

Hot Bar

The Presidential Proclamation included an increase in duties on hot bar of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year.

In the first relief year, total imports of hot bar, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 1,989,880 short tons to 1,907,404 short tons, and their market share fell from 20.4 percent to 19.0 percent. Imports from countries covered by the safeguard measure decreased from 708,271 short tons to 480,517 short tons, and their market share declined from 7.2 percent to 4.8 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,281,609 short tons to 1,426,887 short tons, and their market share rose from 13.1 percent to 14.2 percent.

Major U.S. markets for hot bar are in automotive and construction applications. Hot bars are used in the production of parts of bridges, buildings, ships, agricultural implements, motor vehicles, road building equipment, and machinery. During the first relief year, demand in these segments either rose very modestly or declined. The value of U.S. manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003. During the same period, the value of U.S. nonresidential construction put in place declined by 4.8 percent, and the value of U.S. manufacturers' shipments of carbon steel forgings declined by 1.9 percent. Most of the responding U.S. producers and importers cited weakness in demand for vehicle parts, appliances, construction, and machinery in reporting that demand for steel has decreased since March 2002.

In the first relief year, the domestic industry increased its share of the U.S. market from 79.6 percent to 81.0 percent. Despite growth in demand that was at most weak, output-related indicators such as production and shipments increased in that period. They were, however, lower than they were in the period from April 2000 to March 2001. Capacity utilization increased modestly from 71.6 percent to 72.3 percent in the first relief year, but was below the 77.0 percent level of the period from April 2000 to March 2001. Capacity levels were affected by shutdowns of some mills and the subsequent reorganization and restarting of certain operations. Employment declined and productivity increased in the first relief year.

The AUVs that the industry received for commercial sales increased from $384 to $391 in the first relief year, but were still below the $409 AUV for the period from April 2000 to March 2001. COGS increased less on a unit basis than did AUVs. In the first relief year, unit raw materials costs increased sharply, but unit labor and other factory costs declined. Because unit revenues increased at a greater rate than unit costs, and output increased, the industry's financial performance improved in the first relief year. Its operating margin increased from 1.6 percent to 3.0 percent. The latter margin, however, was below the industry's 4.4 percent operating margin in the period from April 2000 to March 2001.

Quarterly prices for the domestically produced hot bar product for which the Commission collected pricing data rose by 8.1 percent from the first quarter of 2002 to the first quarter of 2003, but the first quarter 2003 price was below that of the second quarter of 2000. Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources covered by the safeguard measure as well as sources not covered by the measure. In the first relief year, imports from sources covered by the safeguard measure, and from sources not covered, oversold the domestically produced product in every quarterly comparison.

Cold Bar

The Presidential Proclamation included an increase in duties on cold bar of 30 percent *ad valorem* in the first year of the measure, reduced to 24 percent in the second year, and to 18 percent in the third year.

In the first relief year, total imports of cold bar declined, while imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 266,423 short tons to 209,607 short tons, and their market share decreased from 15.7 percent to 12.2 percent. Imports from countries covered by the safeguard measure fell from 181,738 short tons to 99,304 short tons, and their market share declined from 10.7 percent to 5.8 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 84,685 short tons to 110,302 short tons, and their market share increased from 5.0 percent to 6.4 percent. Imports from Canada were responsible for the bulk of this increase.

Automotive and construction applications provide major U.S. markets for cold bar. Demand for transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003. By contrast, during this period the value of U.S. nonresidential construction put in place decreased by 4.8 percent. Most of the responding U.S. producers and importers cited weakness in demand, particularly in the construction and capital goods sectors, in reporting that demand for steel has decreased since March 2002.

In the first relief year, the domestic industry increased its share of the U.S. market from 84.3 percent to 87.8 percent. Despite weak to non-existent growth in demand, output-related indicators such as production and shipments increased in the first relief year. They were lower, however, than they were in the period from April 2000 to March 2001. Capacity utilization increased slightly from 54.5 percent to 55.1 percent in the first relief year. The latter level was considerably below the 67.2 percent capacity utilization for the period from April 2000 to March 2001. As with hot bar, capacity levels were affected by shutdowns and restarting of certain operations. Employment declined by 11.0 percent in the first relief year, and productivity increased by 17.4 percent.

The AUVs that the industry received for commercial sales increased only modestly, from $646 to $649, in the first relief year. These values were below the $670 AUV for the period from April 2000 to March 2001. Unit COGS declined in the first relief year, notwithstanding an increase in unit raw materials costs. Because unit revenues increased while unit COGS declined, and output increased, the cold bar industry's financial performance improved in the first relief year. Its operating margins increased from negative 0.4 percent to positive 1.5 percent. The latter figure was still below the modest 2.5 percent operating margin the industry recorded during the period from April 2000 to March 2001.

The Commission collected quarterly pricing data for two cold bar products. Prices for the first product increased by 1.2 percent from the first quarter of 2002 to the first quarter of 2003, and prices for the second product increased by 3.6 percent over the same period. Prices for both products were lower in the first quarter of 2003 than they were in the second quarter of 2000. Prices of imports from sources covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003 for both products; during this period, there were only isolated pricing observations of imports from sources not covered by the safeguard measure. During the first relief year, imports from sources covered by the measure undersold the domestically produced product in five of eight quarterly comparisons.

Rebar

The Presidential Proclamation included an increase in duties on rebar of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year.

In the first relief year, total imports of rebar declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 1,851,865 short tons to 1,034,251 short tons, and their market share fell from 22.5 percent to 13.4 percent. Imports from countries covered by the safeguard measure decreased from 1,367,171 short tons to 304,938 short tons, and their market share declined from 16.6 percent to 4.0 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 484,694 short tons to 729,313 short tons, and their market share rose from 5.9 percent to 9.5 percent. There were particularly large increases in imports from Brazil, the Dominican Republic, and Egypt.

Rebar is used for structural reinforcement within cast concrete structures. Consequently, changes in demand for rebar are derived from and reflect changes in construction activity. The value of nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003. Most responding U.S. producers and importers of rebar cited the weak construction market and reduced government spending on transportation projects in reporting that demand for steel has decreased since the imposition of safeguard measures.

In the first relief year, the domestic industry increased its share of the U.S. market from 77.5 percent to 86.6 percent. Because of its increased market share, the domestic industry showed increases in output-related indicators such as production and shipments in that period notwithstanding the decline in U.S. demand for rebar. U.S. rebar producers' capacity showed little change in the first relief year, increasing by 0.5 percent, and may have been affected by shutdowns. Because production increased while capacity changed only slightly, capacity utilization increased from 79.4 percent to 82.6 percent in the first relief year. Employment declined by 2.7 percent in the first relief year as productivity increased by 5.7 percent.

The AUVs that the industry received for commercial sales declined from $265 to $260 in the first relief year. Unit COGS increased on a unit basis from $237 to $247. This reflected a sharp increase in unit raw materials costs; by contrast, unit labor and other factory costs declined in the first relief year. Although the industry's total sales revenues increased in the first relief year because of its increase in shipments, the concurrent declines in unit revenues and increases in unit costs adversely affected the industry's operating margins. The operating margin declined from positive 3.8 percent to negative 0.7 percent in the first relief year. Additionally, the number of firms reporting operating losses increased.

Quarterly prices for the domestically produced rebar product for which the Commission collected pricing data increased by 0.2 percent from the first quarter of 2002 to the first quarter of 2003. The price for this product in the first quarter of 2003 was below its level in the second quarter of 2000. Prices of imports of this product from both sources covered by the safeguard measure and those not covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003. During the first relief year, imports from sources covered by the measure undersold the domestically produced product in all 4 quarterly comparisons. Imports from sources not covered by the measure undersold the domestically produced product in three of four quarterly comparisons.

Adjustment Efforts of the Industries Producing Long Steel Products

Pursuant to section 204(a)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to make a positive adjustment to import competition. During the section 201 investigation, the individual producers of hot bar, cold bar, and rebar submitted adjustment plans that included: (1) making capital expenses to enhance efficiency and reduce costs; (2) resuming a more normal scope and pace of operations by increasing productive shifts, rehiring laid off workers, or paying down debt; and (3) installing equipment designed to permit producers to offer new product lines.

Since the safeguard measures have gone into effect, the U.S. hot bar, cold bar, and rebar industries have restructured. Most notably, there have been several mergers and acquisitions among the producers of these products; established producers of long products have spent over $700 million to acquire the assets of other producers. In particular, Nucor Corp., the largest U.S. producer of steel using the electric arc furnace, or "minimill," method, has acquired the assets of two separate producers that produce hot bar and rebar, although it has not reactivated all the assets that it has acquired. The North American operations of Gerdau combined with Co-Steel, to form Gerdau AmeriSteel, now the second-largest North American minimill producer. A major producer of hot bar and cold bar, Republic, restructured and emerged from bankruptcy, having reduced its hot bar capacity and closed permanently three cold bar facilities. Republic also entered into a new competitive labor agreement with its steelworkers that includes significant changes to work rules and incentive plans. Several companies have invested substantial sums in new technologies and made capital improvements. For example, Nucor totally revamped its Texas melt shop and improved finishing areas in several of its mills. Republic upgraded its Lorain, Ohio, plant to replace an inefficient facility it shuttered. North Star installed new rolling mill drivers and completed the first phase of a caster upgrade at its St. Paul, Minnesota, facility.

The legislative history of Section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. Domestic producers of hot bar, cold bar, and rebar described several factors that hindered their adjustment efforts. First, as referenced in the product-specific discussions above, demand for these products was weak during the first relief year. Second, prices rose only moderately for hot bar and cold bar, and were flat to declining for rebar. Third, raw materials costs rose steadily and adversely affected profitability.

In commenting on the adjustment efforts of the hot bar, cold bar, and rebar industries, parties opposed to the safeguard measures acknowledged that U.S. producers in these industries have achieved strong gains in productivity since imposition of the safeguard measures. They also acknowledged that there has been a significant degree of consolidation in these industries. Some of the parties, however, contended that these industries still have excess capacity, and expressed concern regarding the possible reopening of closed facilities.

CARBON AND ALLOY TUBULAR STEEL

The tubular steel product categories subject to safeguard measures are welded pipe and tube and fittings and flanges (fittings). Developments in import trends, industry conditions, and pricing are summarized separately for the two product categories. The adjustment efforts of the U.S. welded pipe and tube and fittings industries are discussed collectively.

Welded Pipe and Tube

The Presidential Proclamation included an increase in duties on welded pipe and tube of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year.

In the first relief year, total imports of welded pipe and tube declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 2,988,231 short tons to 2,327,495 short tons, and their market share fell from 42.7 percent to 37.1 percent. Imports from countries covered by the safeguard measure decreased from 1,583,353 short tons to 809,695 short tons, and their market share declined from 22.6 percent to 12.9 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,404,878 short tons to 1,517,800 short tons, and their market share rose from 20.1 percent to 24.2 percent. There were substantial increases in imports from India, Turkey, and to a lesser extent, Mexico.

Welded pipe and tube is used in industrial, construction, automotive, and power generation applications, as well as in the oil market. Economic activity in the principal markets for welded pipe and tube generally declined during the first relief year. The value of U.S. construction of utilities, pipelines, and railroads put in place decreased by 5.1 percent from the first quarter of 2002 to the first quarter of 2003, and the value of U.S. nonresidential construction put in place decreased by 4.8 percent during this period. Most of the responding U.S. producers and importers cited poor economic conditions, particularly in the construction market and capital goods sectors, in reporting that demand for steel has decreased since March 2002.

In the first relief year, the domestic welded pipe and tube industry increased its share of the U.S. market from 57.3 percent to 62.9 percent. However, because of declining demand, the industry's output-related indicators were mixed. Production increased modestly in the first relief year, while the quantity of shipments declined modestly. Capacity utilization declined from 54.8 percent to 52.9 percent in the first relief year. Capacity levels were affected by the closure and opening of certain facilities. Employment increased in the first relief year, but productivity declined.

The AUVs that the industry received for commercial sales increased from $555 to $599 in the first relief year. The latter value was still below the $602 AUV for the period from April 2000 to March 2001. Unit COGS increased in the first relief year, due principally to an increase in unit raw material costs. Because unit costs increased by a greater degree than unit revenues, and the industry's sales volumes declined, its financial performance declined as well. The industry's operating margins declined from 5.4 percent to 3.3 percent. By contrast, the industry's operating margin was 5.7 percent during the period from April 2000 to March 2001.

The Commission collected quarterly pricing data for two welded pipe and tube products. Prices for the first product increased by 17.7 percent from the first quarter of 2002 to the first quarter of 2003, and prices for the second product increased by 14.5 percent over the same period. Prices for both products, however, were lower in the first quarter of 2003 than they were in the second quarter of 2000. Prices of both imported products increased from the first quarter of 2002 to the first quarter of 2003 from sources covered by the safeguard measure as well as from sources not covered by the safeguard measure. During the first relief year, imports from sources covered by the safeguard measure and imports from sources not covered by the measure undersold the domestically produced product in every quarterly comparison.

Fittings

The product category fittings encompasses fittings and flanges. The Presidential Proclamation included an increase in duties on fittings of 13 percent *ad valorem* in the first year of the measure, reduced to 10 percent in the second year, and to 7 percent in the third year.

In the first relief year, the quantity of total imports of fittings, imports from sources subject to the safeguard measure, and imports from sources not subject to the safeguard measure all declined, and the market share of total imports and imports from sources subject to the safeguard measure also declined. The quantity of total imports fell from 171,923 short tons to 131,121 short tons, and their market share decreased from 63.6 percent to 60.1 percent. Imports from countries covered by the safeguard measure declined from 136,164 short tons to 99,573 short tons, and their market share decreased from 50.4 percent to 45.6 percent. The quantity of U.S. imports from countries not covered by the safeguard measure declined from 35,759 short tons to 31,549 short tons, but their market share increased from 13.2 percent to 14.5 percent.

Demand for fittings is driven principally by demand in the utilities and construction sectors. Economic activity in the principal markets for fittings generally declined during the first relief year. The value of U.S. construction of utilities, pipelines, and railroads put in place decreased by 5.1 percent from the first quarter of 2002 to the first quarter of 2003, and the value of U.S. nonresidential construction put in place decreased by 4.8 percent during this period. Responses of U.S. producers and importers were mixed as to demand trends since March 2002, with a small majority of producers stating that demand was stable and a small majority of importers stating that demand had declined.

In the first relief year, the domestic fittings industry increased its share of the U.S. market from 36.4 percent to 39.9 percent. However, because of declining demand, output-related indicators such as production and shipments declined; additionally, both these indicators were considerably below the levels of the period from April 2000 to March 2001. The capacity of the U.S. fittings industry declined by 11.1 percent in the first relief year. Reflecting the decline in capacity, capacity utilization increased from 54.0 percent to 55.9 percent. The latter level, however, was considerably below the 71.9 percent capacity utilization rate for the period from April 2000 to March 2001. Coincident with the decline in capacity, employment also declined in the first relief year, and productivity increased.

The AUVs that the industry received for commercial sales increased in the first relief year. Unit COGS also increased, due principally to an increase in unit raw material costs. The increase in unit revenues was greater than that of unit costs. However, the industry's sales revenues declined because of the demand-related output declines, and the industry's operating margins declined in the first relief year.

Quarterly prices for the domestically produced fittings product for which the Commission collected pricing data increased during 2002, reaching a high for the three-year period for which data were collected, but declined between the fourth quarter of 2002 and the first quarter of 2003. The first quarter 2003 price was 0.1 percent below the first quarter 2002 price. Between the first quarter of 2002 and the first quarter of 2003, prices increased by 1.5 percent for imports from sources covered by the safeguard measure, and increased by 22.3 percent for imports from sources not covered by the measure. During the first relief year, imports from sources covered by the safeguard measure undersold the domestically produced product in all four quarterly price comparisons, and imports from sources not covered undersold the domestically produced product in two of four quarterly comparisons.

Adjustment Efforts of the Industries Producing Tubular Steel Products

Pursuant to section 204(a)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to make a positive adjustment to import competition. During the section 201 investigation, the individual producers of welded pipe and tube and fittings submitted adjustment plans that contemplated additional investments. Sixteen producers of welded pipe and tube indicated that they intended to invest approximately $159 million over a four-year period to upgrade some facilities, relocate or close others, install new equipment, and invest in employee training and information systems. Four producers of fittings proposed investments over a four-year period of approximately $14 million to upgrade facilities and invest in worker training and retirement plans.

Since the safeguard measures have gone into effect, several tubular firms have closed one or more production facilities, including welded pipe and tube producers Olympic Steel Tube, Maverick Tube, and Copperweld, as well as fittings producer Trinity Mills. The remaining firms have made significant capital investments to adjust to import competition. These improvements include investments in new equipment that permits improved product quality and expanded product range. In addition, corporate restructuring has changed the structure of the domestic welded pipe and tube industry, as Wheatland Tube acquired Sawhill Tubular from AK Steel, Maverick Tube acquired LTV Tubular, and ISG sold its interests in its Steelton large diameter line pipe mill and in its joint venture, Bethnova Tube. Finally, both Maverick Tube (following its acquisition of LTV Tubular) and Bethnova Tube have reached collective bargaining agreements with members of their labor force containing elements similar to those described in the section entitled “Flat Steel Products.”

The legislative history of Section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. Domestic producers of welded pipe and tube and fittings described several factors that hindered their adjustment efforts. These included weak demand, particularly in industries such as construction and oil and gas, increased imports from countries not subject to the safeguard remedy, and adverse supply-side effects resulting from the higher level of relief granted to upstream flat-rolled steel producers as compared to tubular products producers.

In commenting on the adjustment efforts of the welded pipe and tube and fittings industries, parties opposed to the safeguard measures stated that several welded pipe and tube producers do not claim to have made adjustments, and that the investments that other producers have made were not in response to import competition. They also contended that the domestic welded pipe and tube industry’s condition is directly influenced by factors other than the safeguard measure, most notably general U.S. economic conditions, continued excess capacity, and raw material price trends. They contended that the domestic fitting industry’s efforts to make a positive adjustment to import competition have been inadequate and have had little impact on overall industry performance.

STAINLESS STEEL

The stainless steel product categories subject to safeguard measures are stainless steel bar (stainless bar), stainless steel rod (stainless rod), and stainless steel wire (stainless wire). Developments in import trends, industry conditions, and pricing are summarized separately for the three product categories. Because several U.S. producers produce more than one of these product categories, their adjustment efforts are discussed collectively.

Stainless Bar

The Presidential Proclamation included an increase in duties on stainless bar of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to nine percent in the third year.

In the first relief year, total imports of stainless bar, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 108,627 short tons to 99,714 short tons, and their market share declined from 42.7 percent to 41.9 percent. Imports from countries covered by the safeguard measure decreased from 82,798 short tons to 63,739 short tons, and their market share fell from 32.6 percent to 26.8 percent. The quantity of U.S. imports from countries not covered by the safeguard measure rose from 25,829 short tons to 35,975 short tons, and their market share increased from 10.2 percent to 15.1 percent. India was the country not covered by the safeguards measure whose imports increased the most during this period.

Major U.S. markets for stainless bar are in the aerospace, automotive, chemical processing, dairy, food processing, and pharmaceutical equipment industries. During the first relief year, demand in these markets either increased modestly or declined. The value of U.S. manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003. During the same period, the value of U.S. manufacturers' shipments of stainless steel forgings declined by 6.1 percent. Most of the responding U.S. producers and importers cited poor economic conditions, including downturns in aerospace, power generation, petrochemical industries, and capital goods, in reporting that demand for steel has decreased since March 2002.

In the first relief year, the domestic stainless bar industry marginally increased its share of the U.S. market from 57.3 percent to 58.1 percent. Consistent with the decline in demand, output-related indicators such as production and shipments declined in the first relief year. The capacity of the U.S. stainless bar industry increased by 1.1 percent in the first relief year. Capacity utilization declined from 62.9 percent to 60.6 percent. By contrast, capacity utilization was 72.7 percent during the period from April 2000 to March 2001. Employment declined in the first relief year, and productivity increased.

The AUVs that the industry received for commercial sales declined in the first relief year. Unit COGS also declined, notwithstanding that unit raw materials costs increased. The unit decline in COGS was not as great as the decline in AUVs. As a result of this cost-price squeeze and declining output, the industry's financial performance deteriorated in the first relief year. Its operating margin declined from negative 3.4 percent to negative 7.9 percent. By contrast, the industry had a positive 3.6 percent operating margin during the period from April 2000 to March 2001. The number of U.S. producers reporting operating losses also increased in the first relief year.

The Commission collected quarterly pricing data for two stainless bar products. Prices for the first product increased by *** percent from the first quarter of 2002 to the first quarter of 2003, and prices for the second product declined by 4.4 percent during this period. Prices for the first product were *** percent lower in the first quarter of 2003 than in the second quarter of 2000 and prices for the second product were 1.5 percent higher. For the first product, prices of imports from sources covered by the safeguard measure declined from the first quarter of 2002 to the first quarter of 2003, and there was only one pricing observation of imports from sources not covered by the safeguard measure during this period. For the second product, prices of imports from sources covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003, and prices of imports from sources not covered by the safeguard measure declined. During the first relief year, imports from sources covered by the measure undersold the domestically produced product in six of seven quarterly comparisons and imports from sources not covered by the measure undersold the domestically produced product in all 3 quarterly comparisons.

Stainless Rod

The Presidential Proclamation included an increase in duties on stainless rod of 15 percent *ad valorem* in the first year of the measure, reduced to 12 percent in the second year, and to 9 percent in the third year.

In the first relief year, total imports, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports fell from 66,691 short tons to 45,610 short tons, and their market share also decreased. Imports from countries covered by the safeguard measure declined from 64,283 short tons to 40,558 short tons, and their market share also decreased. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 2,408 short tons to 5,052 short tons, and their market share also rose. India was the only source not covered by the measure from which imports increased.

Most stainless rod is further processed into stainless wire. Stainless rod is also used in downstream products such as industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes. Demand for products in which stainless rod is used generally declined during the first relief year. The value of U.S. manufacturers' shipments of metalworking machinery declined by 9.5 percent between the first quarter of 2002 and the first quarter of 2003. Most of the responding U.S. producers and importers cited poor economic conditions, including downturns in aerospace, automotive, industrial, and consumer markets, in reporting that demand for steel has decreased since March 2002.

Notwithstanding the decline in demand, output-related indicators such as production and shipments increased in the first relief year, although production and total U.S. shipments were both below the levels of the period April 2000 to March 2001. The capacity of the U.S. stainless rod industry increased in the first relief year. Capacity utilization also increased, but was below the level of the period April 2000 to March 2001. Employment and productivity both increased in the first relief year.

The AUVs that the industry received for commercial sales declined in the first relief year. Unit COGS also declined, notwithstanding that unit raw materials costs increased. The unit decline in COGS was greater than the decline in AUVs. Because unit revenues fell less than unit costs, and output increased, the industry's financial performance improved in the first relief year. Nevertheless, it operated unprofitably; in contrast, the industry had profitable operating performance from April 2000 to March 2001.

Quarterly prices for the domestically produced stainless rod product for which the Commission collected pricing data declined from the first quarter of 2002 to the first quarter of 2003. During this period, prices increased for imports from sources covered by the safeguard measure, but declined for imports from sources not covered. During the first relief year, imports from sources covered by the safeguard measure undersold the domestically produced product in one of four quarterly price comparisons, and imports from sources not covered undersold the domestically produced product in all 4 quarterly comparisons.

Stainless Wire

The Presidential Proclamation included an increase in duties on stainless wire of eight percent *ad valorem* in the first year of the measure, reduced to seven percent in the second year, and to six percent in the third year.

In the first relief year, total imports increased in quantity but declined in market share. The quantity of total imports increased from 31,295 short tons to 33,251 short tons, but their market share declined from 46.9 percent to 46.2 percent. Imports from countries covered by the safeguard measure decreased from 26,759 short tons to 25,014 short tons, and their market share fell from 40.1 percent to 34.8 percent. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 4,535 short tons to 8,236 short tons, and their market share rose from 6.8 percent to 11.4 percent. Imports from India accounted for the bulk of this increase.

Major U.S. markets for stainless wire are in the chemical, petroleum, medical instrument, paper, and food processing industries. Stainless wire is also used in the production of household appliances, nails, and staples. The value of U.S. manufacturers' shipments of metalworking machinery decreased by 9.5 percent between the first quarter of 2002 and the first quarter of 2003. Most of the responding U.S. producers and importers cited poor economic conditions, including weakness in the manufacturing sector, in reporting that demand for stainless wire has decreased since March 2002.

In the first relief year, the domestic stainless wire industry marginally increased its share of the U.S. market from 53.1 percent to 53.8 percent. Output-related indicators such as production and shipments increased in that period, but were below the level of the period from April 2000 to March 2001. The capacity of the U.S. stainless wire industry increased by 3.1 percent in the first relief year. Capacity utilization increased from 46.2 percent to 51.5 percent. By contrast, capacity utilization was 62.5 percent during the period from April 2000 to March 2001. Employment declined by 8.3 percent in the first relief year, and productivity increased by 25.6 percent.

The AUVs the stainless wire industry received for commercial sales declined in the first relief year. Unit COGS also declined, at roughly the same rate as AUVs. Because of the increase in output, the industry's financial performance improved in the first relief year. Nevertheless, it operated unprofitably; by contrast, the industry had profitable operating performance from April 2000 to March 2001.

Quarterly prices for the domestically produced stainless wire product for which the Commission collected pricing data declined by 6.4 percent from the first quarter of 2002 to the first quarter of 2003. During this period, prices increased for imports from sources covered by the safeguard measure, but declined for imports from sources not covered by the measure. During the first relief year, imports from sources covered by the safeguard measure as well as imports from sources not covered by the measure undersold the domestically produced product in every quarterly price comparison.

Adjustment Efforts of the Industries Producing Stainless Steel Products

Pursuant to section 204(a)(1) of the Act, the Commission collected information concerning the progress and specific efforts made by workers and firms to make a positive adjustment to import competition. During the section 201 investigation, the individual producers of stainless bar, stainless rod, and stainless wire submitted adjustment plans that included substantial investments in productive facilities to improve efficiency, product quality, and cost competitiveness. They also indicated that they intended to develop new product lines to increase demand for their products.

Since the safeguard measures have gone into effect, one producer, Slater Steels, has acquired one production facility and rationalized others in an effort to enhance integration of its production process and increase efficiency. Slater additionally entered into a new collective bargaining agreement allowing for increased flexibility in scheduling and performance-based pay initiatives. Several stainless steel producers have made capital investments in their facilities to increase product offerings and reduce lead times.

The legislative history of Section 204 of the Act directs that adjustment efforts should be evaluated in light of existing economic conditions. Domestic producers of stainless bar, stainless rod, and stainless wire described several factors that hindered their adjustment efforts. These included weak demand, increasing raw material costs, and the negative impact of low-priced imports from countries such as India not subject to the safeguard remedies.

In commenting on the adjustment efforts of the stainless bar, stainless rod, and stainless wire industries, parties opposed to the safeguard measures stated that they generally agree that U.S. producers have made positive efforts to adjust to import competition. They contended that the industry nevertheless must do more to close inefficient production facilities.

EXECUTIVE SUMMARY
INVESTIGATION NO. 332-452

EXECUTIVE SUMMARY

Introduction

Following receipt of a request on March 18, 2003, from the U.S. House of Representatives, Committee on Ways and Means (Committee), the U.S. International Trade Commission (USITC or Commission) instituted investigation No. 332-452, *Steel-Consuming Industries: Competitive Conditions with Respect to Steel Safeguard Measures*, pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)).[1] As requested by the Committee, the investigation's analysis was conducted along sectoral lines, in order to assess the impact of the steel safeguard measures on differing segments of the U.S. manufacturing sector and to focus on steel products subject to the President's safeguard measures.[2]

The report addresses the effects of the safeguard measures on steel-consuming industries and on ports and their related services including the following competitive conditions:

- changes in employment, wages, profitability, sales, productivity, and capital investment of steel-consuming industries;
- an examination of the reported effects of the safeguard measures on factors such as prices for steel paid by consuming industries, steel shortages and availability, the ability of steel consumers to obtain required products or quality specifications, lead and delivery times, contract abrogation, sourcing of finished parts from overseas by customers of steel-consuming industries, and the relocation or shift of U.S. downstream production to foreign plants or facilities;
- the impact of international competitive factors, such as relative differences in steel costs to foreign steel-consuming industries not subject to the safeguard measures, and on steel consumers' exports and imports of steel-containing products;
- an examination of shifts in sourcing patterns in the United States, i.e., how much steel was purchased from domestic steel producers by domestic steel-consuming industries before the safeguard action, and how this sourcing has changed following the implementation of the safeguard measures; and

[1] On Mar. 5, 2003, the Commission instituted an investigation under section 204(a) of the Trade Act of 1974 (Inv. No. TA-204-9) in order to prepare a report to the President and the Congress on results of monitoring developments relating to the domestic steel industry since the President imposed tariffs and tariff-rate quotas on imports of certain steel products (68 FR 12380, Mar. 14, 2003). In its letter, the Committee requests that the Commission provide its report in this section 332 investigation and its monitoring report in the section 204(a) investigation in a single document. In a Mar. 27, 2003 letter to the Commission, the Office of the United States Trade Representative (USTR) referenced the format requested by the Committee and informed the Commission that USTR has no objection to receiving the section 204(a)(2) report and the section 332(g) report in a single document. A copy of the request letter from the Committee and the Commission's *Federal Register* notice of institution of this investigation are contained in appendix A.

[2] The President imposed import relief in the form of tariffs and tariff-rate quotas on imports of certain steel products for a period of 3 years and one day, effective March 20, 2002. A description of the import relief is presented in Chapter 1. Throughout this report, "steel" will refer to steel products subject to the safeguard measures announced by the President.

- a discussion of the likely impact on employment, profitability, capital investment, and international competitiveness of steel-consuming industries of (i) continuation of the safeguard measures for the period September 2003 to March 2005, and (ii) termination of the safeguard measures effective September 20, 2003.

In addition, as requested, an analysis of the economy-wide effects of these safeguard measures (e.g., on costs borne by steel consumers, tariff revenues entering the U.S. Treasury, income to steel producers, and the net effect on the U.S. economy) using a simulation model is provided.

Analytical Scope and Approach

It is difficult to isolate the effect of the steel safeguard measures on steel-consuming firms from other factors since the safeguard measures have been in place only for 18 months. In addition, the short term nature of these safeguard measures may discourage firms from making changes in terms of capital expenditures or employment in response to the safeguard measures. The impact of the safeguard measures on different steel-consuming industries depends on factors such as the portion of their total production cost represented by the cost of steel and the market power of firms in steel-consuming industries, which may limit their ability to pass on any steel price increase to their customers.

To examine the impact that the steel safeguard measures have had on steel-consuming industries, the Commission utilized information from a variety of sources, including U.S. industry data, current industry literature, questionnaire responses, and other materials developed by the Commission. The Commission received 419 detailed questionnaire responses from steel-consuming firms whose steel purchases accounted for 22 percent of steel sold during the first year of the safeguard measures.[3] Additional information was provided by public written submissions, hearing testimony, and from input provided by industry officials, trade associations, government officials, and other interested parties.

To provide advice on the economy-wide effects of the safeguard remedies, the Commission simulated the imposition of these tariffs using an updated version of its Computable General Equilibrium (CGE) Model of the United States. The model makes use of the most recent, 1997, benchmark table of the U.S. production technology (Bureau of Economic Analysis's input-output

[3] The Commission mailed out 1,800 purchaser questionnaires and received 644 responses, of which 485 indicated they purchased subject steel products. Of these respondents, 419 steel-consuming firms provided both quantity and value data for their purchases of subject steel products. These purchases totaled $18.8 billion for the year after the safeguards were implemented in 2002. Purchases by distributors totaling $4.6 billion were excluded from this total to avoid double counting. This accounts for almost 22 percent of the estimated $87.2 billion of steel purchased in 2002, $62.8 billion from the domestic industry and $14.6 billion of imported of steel. Domestic shipments compiled by USITC staff from official statistics of the U.S. Census Bureau, *Manufacturers' Shipments, Orders, and Inventories*. M3 Series A31AVS, not seasonally adjusted monthly data. Import data was from the U.S. Department of Commerce (USDOC).

At the June 19, 2003, hearing, the Commission announced that it was aware that an "ITC Questionnaire Tip Sheet" (Tip Sheet) had been sent to some companies that may have received Commission questionnaires. Information in the Tip Sheet urged recipients to reply to the questionnaire in a misleading way or to exaggerate estimates in their responses. The Commission investigated this Tip Sheet and found that while the responses of the 34 firms (7 percent of total) that received the Tip Sheet differed to varying degrees from the responses of all steel consuming firms, their responses were generally similar to that of other steel consuming firms in the same industry. Moreover, these 34 questionnaire responses generally support other information collected from hearing testimony, written submissions, and public sources. For further information on the Tip Sheet, see Appendix H.

accounts), using production and trade data for the year before the imposition of the safeguards; the 1997 benchmark data are projected forward to account for current economic conditions. The modeling analysis provides a framework for understanding the effects of the safeguard measures on downstream steel-consuming industries.

Principal Findings

Many responding firms had difficulty distinguishing between the effects of the safeguard measures and other changes in market conditions. Overall, changes in competitive factors after the safeguard measures were implemented varied in nature across steel-consuming industries and often across firms within industries. Of the steel-consuming industries examined, the motor vehicle parts and steel fabrication industries reported adverse changes in competitive conditions and firm performance after the implementation of the safeguards more frequently than did other industries. These sectors reported expected negative results from continuation of the safeguard measures and positive results from termination of these measures more frequently than other sectors. Industries such as distributors or steel product producers generally reported that they expected no change or positive results from continuation of the safeguards and no change or negative results from termination of the safeguard measures.

Impact on Steel-Consuming Industries and Ports

Steel Prices

Publicly available data and hearing testimony indicate that, for most products subject to the safeguards, prices paid by steel-consuming industries initially increased after the safeguards were implemented. However, prices for some of these products then declined after the initial increase. Although varying by industry, about one-half of responding steel-consuming firms faced increases in both contract and spot prices after the implementation of the safeguards. About 43 percent of responding purchasers (162 of 381) reported that they could not pass on these price increases while about 19 percent (71 of 381) of purchasers reported that they were able to pass the price increases on to their customers.

Contract Abrogation

Some responding steel-consuming firms (134 of 456 or about 29 percent) reported that contracts that they had in place to purchase steel were either modified or abrogated, while most steel-consuming firms (332 of 456 or 71 percent) reported that steel suppliers had not modified or abrogated any contracts with their firms since the implementation of the safeguard measures.

Steel Availability

A little under one-half of responding steel-consuming firms (229 of 471 or about 49 percent) reported some difficulty in obtaining steel in the quantities or qualities they desired since the implementation of the safeguard measures. The steel fabrication, motor vehicle, motor vehicle parts, steel barrel and canning, and home appliance industries had a higher percentage of firms reporting these difficulties than other industries.

About 32 percent of steel-consuming firms (150 of 472), predominately from the steel fabrication, motor vehicle, motor vehicle parts, furniture,

and steel barrel and canning industries, reported longer lead and delivery times after the safeguards were implemented.

Steel Sourcing Patterns

Almost one-half of steel-consuming firms (219 of 467 or 47 percent) shifted some of their purchases to domestically produced steel from imported steel after the safeguard measures were implemented. Overall, direct purchases of steel products from domestic producers increased from 65 percent to 73 percent of all purchases, while direct purchases from importers fell from 32 to 23 percent of all purchases.

Steel-Consuming Sourcing Patterns

A large number of steel-consuming firms (399 of 450 or 89 percent) reported that they did not shift to sourcing finished parts from overseas and most (399 of 445 or 76 percent) reported that their customers did not shift to sourcing from foreign plants or facilities since implementation of the safeguard measures. With regard to relocation of production facilities, 93 percent of steel-consuming firms (432 of 465) reported that they have not relocated or shifted U.S. production to foreign plants or facilities. Almost two-thirds of responding steel-consuming firms (270 of 430 or 63 percent) reported that they or other steel-consuming firms did not relocate or shift production to foreign plants or facilities after the implementation of the safeguards.

Financial Indicators

Overall sales and profits increased, while capital investment fell, for most steel-consuming industries in 2002/03 (the year following the imposition of the safeguard measures) compared with 2001/02 (the year preceding the safeguard measures).[4]

Employment

Overall employment of steel-consuming industries generally fell or remained flat in 2002/03 compared with both 2000/01 and 2001/02, while productivity and wages increased over the three year period. In many cases, employment fell by a greater amount (and percentage) in the year before the safeguard measures were implemented than in the first year after they were implemented.

International Competitiveness

Public data indicate that prices for steel in the U.S. market fell relative to prices in foreign markets since the imposition of the safeguard measures. However, based on these public data, prices for some steel products in some U.S. markets remained higher than those in foreign markets in May 2003. Questionnaire responses indicate that a majority of firms reported that the price of steel in the U.S. market was higher than steel prices in foreign markets after the imposition of the safeguards.

[4] Much of the data collected for this report was done so for three constructed years: (1) April 2000-March 2001, (2) April 2001-March 2002, and (3) April 2002-March 2003. Throughout this report, references to these constructed years will be 2000/01, 2001/02, and 2002/03. For example, if data are reported for 2000/01, the actual data period being referred to is April 2000-March 2001.

Imports of steel-containing products declined about 9.0 percent from 2000/01 to 2001/02 but then increased by about 6 percent the year after the safeguards were implemented (2001/02 to 2002/03). Exports of these products declined steadily from 2000/01 to 2002/03, falling about 11 percent from 2000/01 to 2001/02 and then an additional 3 percent the year after the safeguards were implemented (2001/02 to 2002/03). Except for a few industries, such as motor vehicles, metal cutting and forming, pipe, and bar producers, the growth in imports of steel-containing products was greater than the growth in exports in the year after the safeguards.

Ports

Steel imports constitute a significant portion of port trade tonnage in the Philadelphia, PA; Chicago, IL; and Houston-Galveston, TX port districts and also at the Port of New Orleans, LA.

Waterborne imports of steel of the types covered by the safeguard measures declined by 10 percent prior to the implementation of the safeguard measures (2000/01-2001/02) and by 10 percent after implementation (2002/03), for a total decline of 4.0 million short tons. However, imports by land from Canada and Mexico (countries exempt from the safeguard measures) rose by 1.1 million short tons after implementation of the safeguard measures. Overall, imports of all steel products, declined almost 7 percent in the year after the safeguards.

U.S. ports and related-service providers may have received modest benefits from increased imports of steel inputs and rising U.S. exports (exports are a fraction of the volume of U.S. steel imports). In questionnaire responses, U.S. ports and related-service providers reported a decline of approximately 28 percent in revenues from total steel imports during 2000/01-2001/02 and a further decline of 15 percent after implementation of the safeguards. The benefits that the U.S. ports and related-service providers may have received likely would be small in comparison to the decline in revenues from total steel imports, which explains the reported declines in revenues from total steel imports after implementation of the safeguard measures. Hours worked declined by about 10 percent before and after implementation of safeguard measures.

Economy-Wide Effects

The economy-wide analysis, designed to focus on those impacts that arise from the relative price changes resulting from the imposition of the safeguard measures, estimated that the effect of the safeguard measures on the U.S. welfare ranged from a welfare gain of $65.6 million to a welfare loss of $110.0 million, with a central estimate of a welfare loss of $41.6 million. Overall, the simulation results indicate that returns to capital fall by $294.3 million and returns to labor, based on the net effect on all labor in the U.S. economy, fall by $386.0 million as a result of the safeguard measures, but tariff revenues increase by $649.9 million. The offsetting impact results in an estimated annual GDP loss of $30.4 million.

The model estimates that earnings in industries where returns to capital fell, including steel-consuming industries, would decline by $601.2

million (0.01 percent), while earnings in other industries where capital income increases (e.g., iron ore mining, ferroalloy and related product manufacturing, coal mining, custom roll forming, energy and services) would experience increased capital returns of $67.4 million (0.04 percent). The impact of the safeguard measures varies by steel-consuming industry. Industries that are particularly affected include motor vehicle parts and several steel fabrication industries (metal tank manufacturing, railroad rolling stock manufacturing, and power boiler and heat exchanger manufacturing). These industries also reported larger impacts from the safeguard measures in their questionnaire responses and also exhibit market characteristics suggesting that they would be among the most affected steel-consuming industries.

Likely Impact of Continuing or Terminating Safeguards

A majority of steel-consuming firms indicated that neither continuation or termination of the safeguard measures would change employment, international competitiveness, or capital investment. Purchaser responses were split over whether profitability would increase or decrease if the safeguards continued with slightly more firms indicating that profitability would increase with termination of the safeguards than those who indicated that profitability would not change.

These results varied by industry, with firms in the motor vehicle parts and steel fabrication industries more frequently reporting changes in the conditions of competition than other steel-consuming industries in most cases. In particular, both industries indicated that employment, profitability, and international competitiveness would fall if the safeguards were continued but would increase if the safeguards were terminated.

While only a small number of ports and port-related services firms provided information, about 12 of 19 indicated that either continuation or termination of the safeguard measures would not change capital investment and wages. Over one-half of such respondents (7 of 12) expected steel import volumes and revenues to increase with termination and decrease with continuation of the safeguards.

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CHAPTER 1

INTRODUCTION AND GENERAL OVERVIEW

PART I: INTRODUCTION

BACKGROUND

The Commission instituted this investigation on March 5, 2003, for the purpose of preparing the report to the President and the Congress required by section 204(a)(2) of the Trade Act of 1974 (the Act)[1] on the results of its monitoring of developments with respect to the domestic steel industry since the President imposed tariffs and tariff-rate quotas on imports of certain steel products,[2] effective March 20, 2002. Information relating to the background of this investigation is presented in table OVERVIEW I-1.

Table OVERVIEW I-1
Chronology of investigation No. TA-204-9

Date	Action
March 5, 2003	Commission institutes investigation No. TA-204-9
March 14, 2003	Commission publishes its notice of institution in the *Federal Register*
July 10, 2003	Commission's stainless steel hearing
July 17, 2003	Commission's tubular steel hearing
July 22, 2003	Commission's flat steel hearing
July 24, 2003	Commission's long steel hearing
September 19, 2003	Commission's transmittal of report to the President and Congress
Source: *Federal Register* notice 68 FR 12380, March 14, 2003.	

Section 204(a)(1) of the Act[3] requires the Commission, so long as any action under section 203 of the Act remains in effect, to monitor developments with respect to the domestic industry, including the progress and specific efforts made by workers and firms in the domestic industry to make a positive adjustment to import competition. Section 204(a)(2) of the Act requires that whenever the initial period of an action under section 203 exceeds 3 years, the Commission shall submit a report on the results of the monitoring under section 204(a)(1) to the President and the Congress not later than the mid-point of the initial period of relief during which the action is in effect, or in this case by September 19, 2003.

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[1] 19 U.S.C. § 2252(a)(2).

[2] Subheadings 9903.72.30 through 9903.74.24 of the Harmonized Tariff Schedule of the United States cover the steel products included in these safeguard measures as well as specifying products and sources excluded from the safeguard measures. In the 2003 HTS, subheadings 9903.72.30 through 9903.72.48 cover carbon and alloy steel slabs; subheadings 9903.72.50 through 9903.73.39 cover carbon and alloy steel flat-rolled products (including plate and other hot-rolled steel, cold-rolled steel other than grain-oriented steel, and clad, coated, and plated steel); subheadings 9903.73.42 through 9903.73.62 cover certain carbon and alloy steel bars, rods, and light shapes; subheadings 9903.73.65 through 9903.73.71 cover carbon steel concrete reinforcing bars (rebars); subheadings 9903.73.74 through 9903.73.86 cover certain carbon and alloy steel non-seamless pipes and tubes; subheadings 9903.73.88 through 9903.73.95 cover certain tube and pipe fittings; subheadings 9903.73.97 through 9903.74.16 cover stainless steel bars, rods, angles, shapes, and sections; and subheadings 9903.74.18 through 9903.74.24 cover stainless steel wire.

[3] 19 U.S.C. § 2254(a)(1).

The Commission instituted this investigation for the purpose of preparing the report to the President and the Congress required by section 204(a)(2) of the Trade Act of 1974 on the results of its monitoring of developments with respect to the domestic steel industry, including the progress and specific efforts made by workers and firms in the domestic industry to make a positive adjustment to import competition since the President imposed tariffs and tariff-rate quotas on imports of certain steel products, effective March 20, 2002.

The Commission and the parties to this proceeding have given considerable attention to the issue of the meaning of section 204 and the type of data the Commission should collect and the analysis that the Commission should include in its report. In the Commission's view, the basic requirement of the statute (set out in section 204(a)(1) and (2)) is clear; namely, the Commission is to report on the results of its monitoring of developments with respect to the domestic industry, including adjustment efforts and progress by workers and firms to adjust to import competition.[4] By its nature, such a report will be mainly descriptive, setting out facts relating to, among other things, industry performance, trends in prices and import levels, the market and business environment, and the types of actions undertaken by companies and workers to adjust to competition from imports. Some analysis of these trends and actions, and of the progress and specific efforts made by workers and firms in the domestic industry to make a positive adjustment to import competition, is also appropriate to permit greater understanding of the developments and to place them in context.

Other subsections of section 204 authorize the President to take certain steps following receipt of the ITC's report. Under section 204(b)(1)(A), the President can reduce, modify or terminate a safeguard action if he determines that certain conditions have been met, namely, that the domestic industry has not made adequate efforts to adjust, or changed economic circumstances have impaired the effectiveness of the action.[5] The President is required to take the ITC's report into account, and the Commission views the information and analysis presented in this report as providing the factual basis for any decision by the President on whether these conditions have been met.[6]

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[4] The Commission also examined the legislative history to section 204 and considered parties' arguments pertaining to it. The legislative history appears to support, and is not contrary to, a plain reading of the statute. Omnibus Trade and Competitiveness Act of 1988, Conference Report to Accompany H.R. 3 at 686-687; H. Report 100-40, Part 1, 100th Congress, 1st session at 108-109 (Report of the Committee on Ways and Means to Accompany H.R. 3; S. Report 100-71, 100th Congress, 1st Session at 61-62 (Report of the Committee on Finance on S. 490); Statement of Administrative Action, published in H. Doc. 103-316, 103rd Congress, 2nd Session at 293; H. Report 103-826, 103rd Congress, 2nd Session at 131 (Report from the Committee on Ways and Means to Accompany H.R. 5110); S. Report 103-412, 103rd Congress, 2nd Session at 111 (Uruguay Round Agreements Act: Joint Report of the Committee on Finance, Committee on Agriculture, Nutrition, and Forestry, and Committee on Governmental Affairs).

[5] Section 204(a)(4) provides that upon request of the President, the Commission shall advise the President of its judgment as to the probable economic effect on the industry concerned of any reduction, modification, or termination of the action taken under section 203 which is under consideration. However, the President has not made such a request in this investigation.

[6] The Commission disagrees with certain interpretations of section 204 that go beyond the plain meaning of the statute with respect to either the nature of the ITC's monitoring activity or the basis for the President's determination. For example, despite arguments that the industry would have undertaken adjustment measures even in the absence of the safeguard relief, the statute does not call for the ITC report to demonstrate, or for either the Commission or the President to determine, that the adjustment efforts would not have been undertaken in the absence of the safeguard measures. *See*, *e.g.*, Joint Respondents' Posthearing Brief at 1-12.

Monitoring efforts to date have consisted of collecting and evaluating information through a variety of means, including:

> producer, importer, purchaser, and foreign producer questionnaires,[7] extensive literature research (including primary and secondary sources), hearings, and written submissions including responses to Commissioners' questions asked at the hearings.

The Commission sent producers' questionnaires to approximately 800 U.S. producers believed to produce the subject steel products during January 2000-March 2003.[8] One hundred and fifteen firms reported producing the subject steel during this period: 43 firms produced flat steel; 35 firms produced long steel; 32 firms produced tubular steel; and 20 firms produced stainless steel.[9]

The Commission sent importers' questionnaires to approximately 300 U.S. importers believed to import the subject steel products during January 2000-March 2003.[10] Approximately 200 firms reported importing the subject steel during this period: 112 firms imported flat steel; 72 firms imported long steel; 62 firms imported tubular steel; and 55 firms imported stainless steel.[11]

The Commission posted a foreign producer questionnaire on its website and informed all persons indicating an interest in this investigation via email that hard copies of the foreign producer questionnaire would not be mailed by the Commission but should be downloaded electronically for a response. The Commission received usable responses from 112 foreign producers.

The Commission sent purchasers' questionnaires to approximately 1,800 firms believed to purchase the subject steel products during January 2000-March 2003, and received usable responses from 493 firms. The questionnaires were sent to purchasers of the covered products in the major consuming industries, which together account for more than 90 percent of steel shipments to manufacturing industries.[12]

The Commission held four public hearings at which it received testimony from U.S. steel producers, U.S. steel workers, foreign steel producers, U.S. importers of steel products, U.S. purchasers of steel products, and Congressional and State government witnesses. Relevant *Federal Register* notices appear in appendix A and lists of witnesses that testified at the hearings appear in appendix B.

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[7] Electronic copies of all questionnaires were posted on the Commission's web site at *http://www.usitc.gov/investigation204_9*.

[8] U.S. producers were identified from the section 201 investigation mailing list. Firms that had reported in the 201 investigation that they did not produce the 10 products being examined in this section 204 investigation were not sent questionnaires. However, all firms reporting production of any of the 10 products being examined in this investigation plus all firms that did not respond in the section 201 investigation were sent questionnaires.

[9] Some firms reported producing more than one category of steel products.

[10] U.S. producers also received an importers' questionnaire.

[11] Several importers did not provide usable data.

[12] The mailing list was mainly compiled from publicly available information on firms in 22 manufacturing industries, specified by North American Industry Classification System (NAICS) 4-digit categories, that were the largest consumers of steel products in 1997 (latest year available). Together these firms (specified by NAICS) consumed steel products valued at $71.3 billion, or about 92 percent of the total $77.6 billion consumed by all manufacturing industries. This list was supplemented with firms identified by major trade associations and firms voluntarily identified by steel producers and importers as principal purchasers of steel for which import relief was granted.

INVESTIGATION NO. TA-201-73

On June 22, 2001, at the request of the United States Trade Representative (USTR) the Commission instituted investigation No. TA-201-73 under section 202 of the Act[13] to determine whether certain steel products are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.[14] On July 26, 2001, the Commission received a resolution from the Committee on Finance of the United States Senate requesting that the Commission conduct an investigation of the same scope. The Commission exercised its authority under section 603 of the Act and consolidated the investigation requested by the Committee on Finance with the Commission's previously-instituted investigation requested by the United States Trade Representative.

On October 22, 2001, the Commission made its determinations with respect to injury. The Commission's determinations are presented in table OVERVIEW I-2. On December 7, 2001, the Commission made its recommendations with respect to remedies and subsequently transmitted its report to the President on December 19, 2001.[15]

Table OVERVIEW I-2
Commission's determinations in Investigation No. TA-201-73, by product categories

Commission's determinations	Product categories
Affirmative	carbon and alloy flat-rolled products (slabs, plate, hot-rolled, cold-rolled, and coated), hot bar, cold bar, rebar, welded, fittings, stainless steel bar, and stainless steel rod
Evenly divided	tin, stainless steel wire, stainless fittings and flanges,[1] and tool steel
Negative	grain oriented silicon electrical steel (GOES), carbon and alloy steel ingots, billets, and blooms, carbon and alloy steel rails and railway products, carbon and alloy steel wire, carbon and alloy steel strand, rope, cable, and cordage, carbon and alloy steel nails, staples, and woven cloth, carbon and alloy steel heavy structural shapes and sheet piling, carbon and alloy steel fabricated structural units, carbon and alloy seamless steel pipe, seamless oil country tubular goods (OCTG), welded OCTG, stainless steel ingots, billets, and blooms, stainless steel cut-to-length plate, stainless steel woven cloth, carbon, alloy, and stainless steel rope, and stainless steel seamless and welded pipe

[1] The President took no action with respect to these products.

Source: 66 FR 54285, October 26, 2003.

[13] 19 U.S.C. § 2252.

[14] 66 FR 35267, July 3, 2001.

[15] 66 FR 67304, December 28, 2001.

SECTION 203 SAFEGUARD MEASURES

Following receipt of the Commission's report,[16] the President, pursuant to section 203 of the Act,[17] imposed import relief in the form of tariffs and tariff-rate quotas on imports of certain steel products for a period of 3 years and 1 day effective March 20, 2002. A compilation of *Federal Register* notice citations concerning the section 203 safeguard measures is presented in appendix A. Table OVERVIEW I-3 presents information on the steel products covered by the safeguard measures and corresponding tariff and tariff-rate quota remedies.

Table OVERVIEW I-3
Section 203 safeguard measures imposed on March 20, 2002, by product and form[1]

Item	Type of measure	First year of relief	Second year of relief	Third year of relief
		Percent *ad valorem,* unless otherwise noted		
Certain carbon and alloy flat-rolled steel:				
Slab	Tariff-rate quota (TRQ)	Increase in duties of 30 percent *ad valorem* for imports above 4.90 million metric tons	Increase in duties of 24 percent *ad valorem* for imports above 5.35 million metric tons	Increase in duties of 18 percent *ad valorem* for imports above 5.81 million metric tons
Plate[2]	Increase in duties	30	24	18
Hot-rolled	Increase in duties	30	24	18
Cold-rolled[3]	Increase in duties	30	24	18
Coated	Increase in duties	30	24	18
Tin	Increase in duties	30	24	18
Hot bar	Increase in duties	30	24	18
Cold bar	Increase in duties	30	24	18
Rebar	Increase in duties	15	12	9
Welded products[4]	Increase in duties	15	12	9
Fittings	Increase in duties	13	10	7
Stainless bar	Increase in duties	15	12	9
Stainless rod	Increase in duties	15	12	9
Stainless wire	Increase in duties	8	7	6

[1] The remedy is currently in its second year. *See* 68 FR 15494, March 31, 2003.
[2] Cut-to-length (CTL) and clad plate.
[3] Other than grain-oriented electrical steel (GOES).
[4] Other than oil country tubular goods (OCTG).

Source: 67 FR 10553, March 7, 2002.

[16] *See Steel*, Inv. No. TA-201-73, USITC Pub. 3479, December 2001. For additional information on the Commission's section 201 investigation, report, and remedy recommendations, *see also, http://www.usitc.gov/steel/.*

[17] 19 U.S.C. § 2253.

Exempted Countries

The section 203 safeguard measures were applied to imports of subject steel products from all countries except Canada, Israel, Jordan, and Mexico,[18] and developing countries that are members of the World Trade Organization (WTO), whose share of total imports of a particular product did not exceed 3 percent (provided that imports that are the product of all such countries with less than 3 percent import share collectively accounted for not more than 9 percent of total imports of the product). The President's Proclamation states that if the President determines "that a surge in imports of a product described in paragraph 7 [subject product] of a developing country WTO member undermines the effectiveness of the pertinent safeguard measure, the safeguard measure shall be modified to apply to such product from such country."[19] Information on the status of WTO developing countries with respect to the section 203 safeguard relief is presented in table OVERVIEW I-4.

Table OVERVIEW I-4
Status of WTO developing countries with respect to the section 203 safeguard measures

Item	Source
Developing countries completely exempted from the safeguard measures[1]	Albania, Angola, Antigua and Barbuda, Argentina, Bahrain, Bangladesh, Barbados, Belize, Benin, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Chile, Colombia, Congo (Brazzaville), Congo (Kinshasa), Costa Rica, Cote d'Ivoire, Croatia, Czech Republic, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Fiji, Gabon, the Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea Bissau, Guyana, Haiti, Honduras, Hungary, India, Indonesia, Jamaica, Jordan, Kenya, Kyrgyzstan, Latvia, Lesotho, Lithuania, Macedonia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Moldova, Mongolia, Morocco, Mozambique, Namibia, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Romania, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Slovakia, Solomon Islands, South Africa, Sri Lanka, Suriname, Swaziland, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Uruguay, Venezuela, Zambia, and Zimbabwe
Developing countries partially exempted from the safeguard measures (covered products in parenthesis)[2]	Brazil (flat steel, except for tin mill products); India (carbon fittings); Moldova (rebar); Romania (carbon fittings); Thailand (welded pipe); Turkey (rebar); and Venezuela (rebar)

[1] *See* paragraph 12 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002). Macedonia was added to this list subsequent to the original proclamation, effective October 15, 2002 (67 FR 69065, November 14, 2002).
[2] *See* 67 FR 10553, March 7, 2002. Thailand (carbon fittings) was added subsequent to the original proclamation (67 FR 12635, March 19, 2002).

Source: Cited *Federal Register* notices.

Countries covered by the section 203 safeguard measures are referred to as "covered sources" while countries not covered by relief (exempted) are referred to as "noncovered sources," except as noted.

[18] *See* paragraph 11 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002).

[19] *See* paragraph 12 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002).

Table OVERVIEW I-5 presents a list of noncovered developing countries accounting for 3 percent or more of total U.S. imports on a product basis during April 2002-March 2003 (the 12-month period following the imposition of relief). Imports from 9 developing countries exempted from the section 201 relief exceeded the 3 percent threshold for one or more products (based on quantity) during the period April 2002-March 2003: Argentina (hot bar); Brazil (tin and rebar); Czech Republic (rebar); Dominican Republic (rebar); Egypt (rebar); India (welded, stainless bar, stainless rod, and stainless wire); Latvia (rebar); Romania (rebar); and Turkey (hot bar and welded).

Table OVERVIEW I-5
Subject steel: Noncovered developing countries[1] accounting for 3 percent or more of total U.S. imports during April 2002-March 2003, by products and by sources, April 2000-March 2003[2]

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
	Share of total imports based on quantity *(percent)*			*Percentage point*
Tin:				
Brazil	10.1	8.2	6.3	-1.9
Hot bar:				
Argentina	2.1	0.6	3.2	2.6
Turkey	6.0	2.9	3.5	0.6
Subtotal	8.1	3.5	6.7	3.2
Rebar:				
Brazil	3.1	2.0	8.3	6.3
Czech Republic	2.8	3.1	4.3	1.2
Dominican Republic	0.0	1.0	7.4	6.4
Egypt	0.0	2.1	13.2	11.1
Latvia	8.0	1.8	3.4	1.6
Romania	1.2	2.1	5.2	3.1
Subtotal	15.1	12.1	41.8	29.7
Welded:				
India	1.3	1.8	5.6	3.8
Turkey	1.1	1.7	5.7	4.0
Subtotal	2.4	3.5	11.3	7.8
Stainless bar:				
India	2.7	7.8	21.5	13.7
Stainless rod:				
India	9.8	3.1	11.1	8.0
Stainless wire:				
India	8.9	12.1	21.2	9.1

[1] Several noncovered developing countries have products that are covered by the safeguard relief: Brazil (flat steel, except for tin mill products); India (carbon fittings); Moldova (rebar); Romania (carbon fittings); Thailand (welded pipe); Turkey (rebar); and Venezuela (rebar). *See* paragraph 12 of the President's Proclamation of March 5, 2002 (67 FR 10553, March 7, 2002). Thailand (carbon fittings) was added subsequent to the original proclamation (67 FR 12635, March 19, 2002).

[2] For the following forms of flat-rolled steel, 8 countries had imports accounting for 3 percent or more of total U.S. imports during April 2002-March 2003: plate (Bulgaria (3.9 percent), Czech Republic (9.9 percent), and Romania (14.6 percent)); hot-rolled (Egypt (5.8 percent), Thailand (3.5 percent), and Turkey (6.9 percent)); cold-rolled (Chile (4.4 percent) and Turkey (4.4 percent)); and coated (India (16.7 percent)).

Note.–Period changes are calculated from the unrounded figures.

Source: Compiled from official statistics of Commerce.

Excluded Products

The President's proclamation of March 5, 2002, contained a list of products excluded from relief and classified for reporting purposes in 51 temporary Harmonized Tariff Schedule (HTS) subheadings.[20] Subsequently, USTR announced three additional lists of product exclusions[21] covering numerous additional products so that by March 31, 2003, the date of publication of the most recent list and also the end of the period examined in this report, there were 513 temporary HTS subheadings identifying the excluded products.[22]

Table OVERVIEW I-6 presents information on U.S. imports from covered sources excluded from section 203 import tariffs. Slab, excluded imports accounted for *** percent of total imports (based on quantity) and *** of total imports (based on value). However, virtually all slab imports in the period April 2002 to March 2003 were not subject to additional tariffs. The total quantity of slab imports (*** short tons) was well below the overall TRQ threshold applicable to the first relief year (5.40 million short tons) set out in the President's proclamation imposing relief. As a result of product exclusions, during April 2002-March 2003, *** percent of the quantity and *** percent of the value of subject steel imports from covered countries that falls within the subject product description is excluded from the safeguard tariffs.[23] Slab imported below the applicable tariff-rate quota (TRQ) threshold accounted for most of the quantity of excluded imports.

Table OVERVIEW I-6
Subject steel: U.S. imports from covered sources, by tariff categories and by products, April 2002-March 2003

* * * * * * *

[20] *See* Annex to Presidential Proclamation 7529 (67 FR 10558, March 7, 2002). Additionally, 3 temporary HTS subheadings identify the tariff quota levels for slab.

[21] Proclamation 7529 delegated to the USTR the authority to consider requests for exclusion of a particular product submitted in accordance with the procedures set forth in 66 FR 54321, 54322–54323 (October 26, 2001) and, upon publication in the *Federal Register* of a notice of USTR's finding that a particular product should be excluded, to modify the HTS provision created by the annex to that proclamation to exclude such particular product from the pertinent safeguard measure.

USTR considers requests by producers, importers, and purchasers of certain steel products for the exclusion of a particular product, defined in terms of its unique physical characteristics, from any increased duty, tariff-rate quota, or quantitative restriction that the President may impose under section 203(a) of the Trade Act. *See also* 67 FR 79956, December 31, 2002.

[22] *See* table OVERVIEW I-2 of this report for a list of relevant *Federal Register* notices containing product exclusion announcements.

[23] A significant number of product exclusions were not announced until July 12, 2002 (67 FR 46221) and August 30, 2002 (67 FR 56182). Additional product exclusions were announced on March 31, 2003 (68 FR 15494).

WTO STEEL SAFEGUARD PROCEEDINGS

Following the announcement of the U.S. safeguard measures, several steel exporters to the U.S. market requested consultations with the United States under the WTO Safeguards Agreement, and following implementation of the measures requested consultations with the United States under the WTO Dispute Settlement Understanding (DSU). Following consultations, Brazil, China, the European Union, Japan, Korea, New Zealand, Norway, and Switzerland requested establishment of panels under the DSU, and a panel was formed on July 25, 2002 to hear the disputes. The panel conducted its proceedings principally during fall 2002.

In July 2003, the panel issued its reports finding that the U.S. safeguard measures were inconsistent with the United States' WTO obligations in certain respects.[24] The United States and the eight other parties have each appealed certain findings of the panel, and the matter is now before the WTO Appellate Body.[25]

TITLE VII STEEL ORDERS

A list of outstanding antidumping and countervailing duty orders on the subject steel products is presented in table OVERVIEW I-7. There are currently 110 outstanding antidumping and countervailing duty orders covering carbon and alloy flat-rolled steel, tin, rebar, welded pipe, fittings, stainless bar, and stainless rod.

Since March 20, 2002, the effective date of the section 203 measures, the Commission completed antidumping and countervailing duty investigations on two forms of steel covered by the measures, circular welded non-alloy steel pipe[26] and certain cold-rolled steel products.[27] The Commission made negative determinations with respect to both products.[28] Thus, no new orders have

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[24] *See* WTO Panel Reports, *United States–Definitive Safeguard Measures on Imports of Certain Steel Products*, WT/DS248/R/Corr.1, WT/DS249/R/Corr.1, WT/DS251/R/Corr.1, WT/DS252/R/Corr.1, WT/DS253/R/Corr.1, WT/DS254/R/Corr.1, WT/DS258/R/Corr.1, WT/DS259/R/Corr.1, July 11, 2003.

[25] The United States and all eight other parties have filed appeals with the WTO Appellate Body, all briefs have been filed, a hearing is scheduled before the Appellate Body for September 29-30, 2003, and a decision is expected in November 2003.

[26] *See* 67 FR 45541, July 9, 2002. *See also*, *Circular Welded Non-Alloy Steel Pipe from China*, Inv. No. 731-TA-943 (Final), USITC Pub. 3523, June 2002.

[27] *See* 67 FR 58074, September 13, 2002. *See also*, *Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand*, Invs. Nos. 731-TA-965, 971-972, 979, and 981 (Final), USITC Pub. 3536, September 2002. *See also* 67 FR 68685, November 12, 2002. *See also*, *Certain Cold-Rolled Steel Products from Argentina, Belgium, Brazil, China, France, Germany, Korea, the Netherlands, New Zealand, Russia, South Africa, Spain, Taiwan, Turkey, and Venezuela*, Invs. Nos. 701-TA-423-425 and 731-TA-964, 966-970, 973-978, 980, and 982-983 (Final), USITC Pub. 3551, October 2002.

[28] In both of the foregoing grouped investigations, the Commission considered the existence of section 203 safeguard measures as a condition of competition. *See, e.g., Circular Welded Non-Alloy Steel Pipe from China*, Inv. No. 731-TA-943 (Final), USITC Pub. 3523, June 2002, at 6; *Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand*, Invs. Nos. 731-TA-965, 971-972, 979, and 981 (Final), USITC Pub. 3536, September 2002, at 28.

Table OVERVIEW I-7
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
06/13/1979	12/15/2000	Carbon steel plate	Taiwan	AA-197	A-583-080
05/07/1984	08/22/2000	Small diameter carbon steel pipe	Taiwan	731-TA-132	A-583-008
03/07/1986	08/22/2000	Welded carbon steel pipe	Turkey	701-TA-253	C-489-502
03/11/1986	08/22/2000	Welded carbon steel pipe	Thailand	731-TA-252	A-549-502
05/12/1986	08/22/2000	Welded carbon steel pipe	India	731-TA-271	A-533-502
05/15/1986	08/22/2000	Welded carbon steel pipe	Turkey	731-TA-273	A-489-501
12/17/1986	01/06/2000	Carbon steel butt-weld pipe fittings	Brazil	731-TA-308	A-351-602
12/17/1986	01/06/2000	Carbon steel butt-weld pipe fittings	Taiwan	731-TA-310	A-583-605
02/10/1987	01/06/2000	Carbon steel butt-weld pipe fittings	Japan	731-TA-309	A-588-602
03/27/1989	08/22/2000	Light-walled rectangular tube	Taiwan	731-TA-410	A-583-803
05/26/1989	08/22/2000	Light-walled rectangular tube	Argentina	731-TA-409	A-357-802
07/06/1992	01/06/2000	Carbon steel butt-weld pipe fittings	China	731-TA-520	A-570-814
07/06/1992	01/06/2000	Carbon steel butt-weld pipe fittings	Thailand	731-TA-521	A-549-807
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe	Brazil	731-TA-532	A-351-809
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe	Korea	731-TA-533	A-580-809
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe	Taiwan	731-TA-536	A-583-814
11/02/1992	08/22/2000	Circular welded nonalloy steel pipe	Mexico	731-TA-534	A-201-805
08/17/1993	12/15/2000	Carbon steel plate	Sweden	701-TA-327	C-401-804
08/17/1993	12/15/2000	Carbon steel plate	Spain	701-TA-326	C-469-804
08/17/1993	12/15/2000	Carbon steel plate	Germany	701-TA-322	C-428-817
08/17/1993	12/15/2000	Carbon steel plate	United Kingdom	701-TA-328	C-412-815
08/17/1993	12/15/2000	Carbon steel plate	Mexico	701-TA-325	C-201-810
08/17/1993	12/15/2000	Carbon steel plate	Brazil	701-TA-320	C-351-818
08/17/1993	12/15/2000	Carbon steel plate	Belgium	701-TA-319	C-423-806
08/17/1993	12/15/2000	Corrosion-resistant carbon steel flat products	France	701-TA-348	C-427-810
08/17/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Korea	701-TA-350	C-580-818
08/17/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Germany	701-TA-349	C-428-817
08/19/1993	12/15/2000	Carbon steel plate	Romania	731-TA-584	A-485-803
08/19/1993	12/15/2000	Carbon steel plate	Brazil	731-TA-574	A-351-817
08/19/1993	12/15/2000	Carbon steel plate	United Kingdom	731-TA-587	A-412-814
08/19/1993	12/15/2000	Carbon steel plate	Poland	731-TA-583	A-455-802
08/19/1993	12/15/2000	Carbon steel plate	Finland	731-TA-576	A-405-802
08/19/1993	12/15/2000	Carbon steel plate	Mexico	731-TA-582	A-201-809
08/19/1993	12/15/2000	Carbon steel plate	Germany	731-TA-578	A-428-816
08/19/1993	12/15/2000	Carbon steel plate	Belgium	731-TA-573	A-423-805
08/19/1993	12/15/2000	Carbon steel plate	Spain	731-TA-585	A-469-803
08/19/1993	12/15/2000	Carbon steel plate	Sweden	731-TA-586	A-401-805
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Canada	731-TA-614	A-122-822
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Korea	731-TA-618	A-580-816
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Australia	731-TA-612	A-602-803
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Japan	731-TA-617	A-588-826
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	France	731-TA-615	A-427-808
08/19/1993	12/15/2000	Corrosion-resistant carbon steel flat products	Germany	731-TA-616	A-428-815

Table continued. See footnote at end of table.

Table OVERVIEW I-7--*Continued*
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
12/01/1993	08/02/2000	Stainless steel wire rod	India	731-TA-638	A-533-808
01/28/1994	08/02/2000	Stainless steel wire rod	France	731-TA-637	A-427-811
01/28/1994	08/02/2000	Stainless steel wire rod	Brazil	731-TA-636	A-351-819
02/21/1995	04/18/2001	Stainless steel bar	Brazil	731-TA-678	A-351-825
02/21/1995	04/18/2001	Stainless steel bar	Japan	731-TA-681	A-588-833
02/21/1995	04/18/2001	Stainless steel bar	India	731-TA-679	A-533-810
03/02/1995	04/18/2001	Stainless steel bar	Spain	731-TA-682	A-469-805
07/02/1996	11/16/2001	Clad steel plate	Japan	731-TA-739	A-588-838
04/17/1997	03/26/2003	Steel concrete reinforcing bar	Turkey	731-TA-745	A-489-807
10/24/1997	08/29/2003	Carbon steel plate[1]	Russia	731-TA-754	A-821-808
10/24/1997	08/29/2003	Carbon steel plate[1]	Ukraine	731-TA-756	A-823-808
10/24/1997	08/29/2003	Carbon steel plate[1]	China	731-TA-753	A-570-849
09/15/1998		Stainless steel wire rod[2]	Korea	731-TA-772	A-580-829
09/15/1998		Stainless steel wire rod[2]	Spain	731-TA-773	A-469-807
09/15/1998		Stainless steel wire rod[2]	Sweden	731-TA-774	A-401-806
09/15/1998		Stainless steel wire rod[2]	Taiwan	731-TA-775	A-583-828
09/15/1998		Stainless steel wire rod[2]	Japan	731-TA-771	A-588-843
09/15/1998		Stainless steel wire rod[2]	Italy	731-TA-770	A-475-820
09/15/1998		Stainless steel wire rod[2]	Italy	701-TA-373	C-475-821
06/29/1999		Hot-rolled carbon steel flat products	Japan	731-TA-807	A-588-846
070/6/1999		Hot-rolled carbon steel flat products[1]	Brazil	701-TA-384	C-351-829
07/06/1999		Hot-rolled carbon steel flat products	Brazil	731-TA-806	A-351-828
07/12/1999		Hot-rolled carbon steel flat products	Russia	731-TA-808	A-821-809
02/10/2000		Carbon steel plate	Korea	701-TA-391	C-580-837
02/10/2000		Carbon steel plate	Indonesia	701-TA-389	C-560-806
02/10/2000		Carbon steel plate	Japan	731-TA-820	A-588-847
02/10/2000		Carbon steel plate	India	731-TA-817	A-533-817
02/10/2000		Carbon steel plate	India	701-TA-388	C-533-818
02/10/2000		Carbon steel plate	Indonesia	731-TA-818	A-560-805
02/10/2000		Carbon steel plate	Korea	731-TA-821	A-580-836
02/10/2000		Carbon steel plate	Italy	701-TA-390	C-475-827
02/10/2000		Carbon steel plate	Italy	731-TA-819	A-475-826
02/10/2000		Carbon steel plate	France	731-TA-816	A-427-816
02/10/2000		Carbon steel plate	France	701-TA-387	C-427-817
08/28/2000		Tin mill products	Japan	731-TA-860	A-588-854
05/19/2001		Stainless steel angle	Korea	731-TA-889	A-580-846
05/19/2001		Stainless steel angle	Japan	731-TA-888	A-588-856
05/19/2001		Stainless steel angle	Spain	731-TA-890	A-469-810

Table continued. See footnotes at end of table.

Table OVERVIEW I-76--*Continued*
Subject steel: Outstanding antidumping and countervailing duty orders

Order date	Continued date	Product	Source	ITC investigation number	Commerce investigation number
09/07/2001		Steel concrete reinforcing bar	Moldova	731-TA-879	A-841-804
09/07/2001		Steel concrete reinforcing bar	Poland	731-TA-880	A-455-803
09/07/2001		Steel concrete reinforcing bar	Ukraine	731-TA-882	A-823-809
09/07/2001		Steel concrete reinforcing bar	Indonesia	731-TA-875	A-560-811
09/07/2001		Steel concrete reinforcing bar	Korea	731-TA-877	A-580-844
09/07/2001		Steel concrete reinforcing bar	Belarus	731-TA-873	A-822-804
09/07/2001		Steel concrete reinforcing bar	China	731-TA-874	A-570-860
09/07/2001		Steel concrete reinforcing bar	Latvia	731-TA-878	A-449-804
09/11/2001		Hot-rolled carbon steel flat products	Argentina	701-TA-404	C-357-815
09/19/2001		Hot-rolled carbon steel flat products	South Africa	731-TA-905	A-791-809
09/19/2001		Hot-rolled carbon steel flat products	Argentina	731-TA-898	A-357-814
11/21/2001		Hot-rolled carbon steel flat products	Kazakhstan	731-TA-902	A-834-806
11/29/2001		Hot-rolled carbon steel flat products	Ukraine	731-TA-908	A-823-811
11/29/2001		Hot-rolled carbon steel flat products	Taiwan	731-TA-906	A-583-835
11/29/2001		Hot-rolled carbon steel flat products	Netherlands	731-TA-903	A-421-807
11/29/2001		Hot-rolled carbon steel flat products	China	731-TA-899	A-570-865
11/29/2001		Hot-rolled carbon steel flat products	Thailand	731-TA-907	A-549-817
11/29/2001		Hot-rolled carbon steel flat products	Romania	731-TA-904	A-485-806
12/03/2001		Hot-rolled carbon steel flat products	Indonesia	701-TA-406	C-560-813
12/03/2001		Hot-rolled carbon steel flat products	India	731-TA-900	A-533-820
12/03/2001		Hot-rolled carbon steel flat products	Indonesia	731-TA-901	A-560-812
12/03/2001		Hot-rolled carbon steel flat products	India	701-TA-405	C-533-821
12/03/2001		Hot-rolled carbon steel flat products	South Africa	701-TA-407	C-791-810
12/03/2001		Hot-rolled carbon steel flat products	Thailand	701-TA-408	C-549-818
12/06/2001		Welded large diameter line pipe	Japan	731-TA-919	A-588-857
02/27/2002		Welded large diameter line pipe	Mexico	731-TA-920	A-201-828
03/07/2002		Stainless steel bar	Italy	731-TA-915	A-475-829
03/07/2002		Stainless steel bar	Germany	731-TA-914	A-428-830
03/07/2002		Stainless steel bar	Korea	731-TA-916	A-580-847
03/07/2002		Stainless steel bar	France	731-TA-913	A-427-820
03/07/2002		Stainless steel bar	United Kingdom	731-TA-918	A-412-822
03/08/2002		Stainless steel bar	Italy	701-TA-413	C-475-830

[1] Suspended.
[2] The Commission instituted a five-year review investigation on August 1, 2003.

Source: Commission's web site: http://www.usitc.gov/7ops/ad_cvd_orders.htm.

been issued since the application of the section 203 safeguard measure.[29] On June 20, 2002, the Commission determined that an industry in the United States is not materially injured or threatened with material injury by reason of imports of circular welded non-alloy steel pipe from China. On August 27, 2002, the Commission determined that an industry in the United States is not materially injured or threatened with material injury by reason of imports of certain cold-rolled steel products from Australia, India, Japan, Sweden, and Thailand. On October 16, 2002, the Commission determined that an industry in the United States is not materially injured or threatened with material injury by reason of imports of certain cold-rolled steel products from Argentina, Belgium, Brazil, China, France, Germany, Korea, the Netherlands, New Zealand, Russia, South Africa, Spain, Taiwan, Turkey, and Venezuela.

Also, since March 20, 2002, the Commission conducted five-year reviews of outstanding orders and/or suspension agreements covering rebar[30] and CTL plate;[31] as a result of those reviews, those orders and agreements remain in place (with the exception of the suspension agreement on CTL plate from South Africa). The Commission also has initiated a review of stainless steel wire rod.[32]

ORGANIZATION OF THE REPORT AND GENERAL ISSUES

The presentation of information collected in this investigation has been organized into five major parts: (1) introduction and general overview; (2) carbon and alloy flat steel; (3) carbon and alloy long steel; (4) carbon and alloy tubular steel; and (5) stainless steel.

The introduction and general overview includes information on current market factors (overall demand, demand in specific U.S. downstream sectors, input costs, and exchange rates), developments in the U.S. steel market, and developments in the global steel market. The subsequent four chapters are divided into sections containing a list of U.S. producers in each of the respective industries, information on recent industry structural developments, industry and market data (trade, financial, and pricing) organized by product, and adjustment efforts undertaken by firms and workers. A summary of data collected, by product, is presented in appendix C. A description of the manufacturing and uses of the relevant products appears in appendix D. U.S. producers' positions with respect to the 201 relief are presented in appendix E.

Much of the data used in the preparation of this report has been obtained from responses to the Commission's questionnaires, the Commission's hearings, and written submissions to the Commission, supplemented by secondary sources (*e.g.*, official Commerce statistics for U.S. imports), where appropriate.

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[29] On September 9, 2003, eight domestic producers filed a petition for the imposition of antidumping duties on certain welded pipe. Accordingly, effective September 9, 2003, the Commission instituted Investigations Nos. 731-TA-1054-1055 (Preliminary), *Light-Walled Rectangular Pipe and Tube from Mexico and Taiwan.*

[30] 68 FR 10032, March 3, 2003. *See also*, *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577, February 2003.

[31] 68 FR 52614, September 4, 2003. *See also*, *Cut-to-Length Carbon Steel Plate from China, Russia, South Africa, and Ukraine*, Invs. Nos. 731-TA-753-756 (Review), USITC Pub. 3626, August 2003.

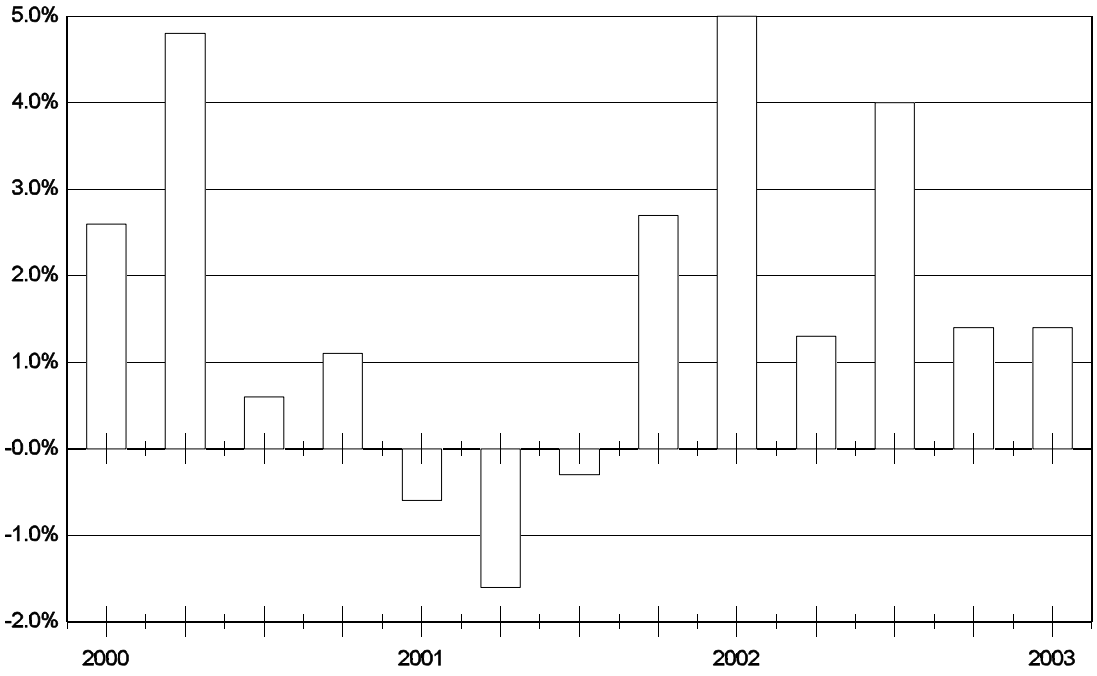
[32] 68 FR 45277, August 1, 2003.

PART II: CURRENT MARKET FACTORS

OVERALL DEMAND

All steel products subject to this investigation are used in the production of downstream products. As a result, U.S. demand for the subject products is derived from demand for these downstream products. Changes in U.S. demand for many of the downstream products, in turn, is mirrored in fluctuations in overall U.S. economic activity, popularly measured by changes in the growth of U.S. real gross domestic product (GDP), shown in figure OVERVIEW II-1.

Figure OVERVIEW II-1
U.S. real GDP: Percent change from the previous period (quarter to quarter) based on billions of chained (1996) dollars at annual rates, by quarters, January 2000-March 2003



Note: Real GDP figures currently use 1996 as the base-year (nominal expenditures in 1996 are defined to equal real expenditures in that year). Each year's real GDP figures are calculated by using a statistical technique of chaining to calculate quantity indexes for each year by applying price weights of the current year to the previous year's quantity index. The percentage changes in real GDP from period-to-period based on chain indexes are not affected by shifting to a new base-year, but the chained-dollar estimates of the components of real GDP usually are not additive.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, July 2003, p. D-4.

Other measures of economic activity include the Federal Reserve's index of industrial production and index of durable consumer goods production (figure OVERVIEW II-2). Since April 2002, the index of industrial production showed very little change, falling by less than 0.1 percent. During the same time frame, the index of durable goods production increased by 3.2 percent.

Figure OVERVIEW II-2
Production indexes: Indexes of industrial production and durable goods production, seasonally adjusted, by quarters, January 2000-June 2003

Source: U.S. Federal Reserve.

DEMAND IN SPECIFIC U.S. DOWNSTREAM SECTORS

The downstream sectors analyzed were chosen based on their importance in consumption of the individual section 204 product categories (figures OVERVIEW II-3-OVERVIEW II-9). Because of data limitations, some of these sectors are proxies for those that would be most relevant, and some downstream sectors account for more consumption of the individual section 204 products than other downstream sectors.

Data for the specific downstream sectors are based on manufacturers' shipments or construction put in place on a quarterly basis. Except in a single instance (steel cans) where quantities were reported, the data are in current (nominal) U.S. dollars. In addition, the data for the downstream sectors were readily available only on a non-seasonally adjusted basis. As a result, quarter-to-quarter trends are likely influenced at least somewhat by price changes (where value-based data are shown) and by seasonal fluctuations; movements in nominal values mask changes in real-value terms.

Table OVERVIEW II-1 shows the specific downstream sectors chosen, the change in value between first quarter 2002 and first quarter 2003, and the associated steel product category.

Table OVERVIEW II-1
Selected downstream sectors, the change in shipment or construction value between Q1 2002 and Q1 2003, and the associated steel product category

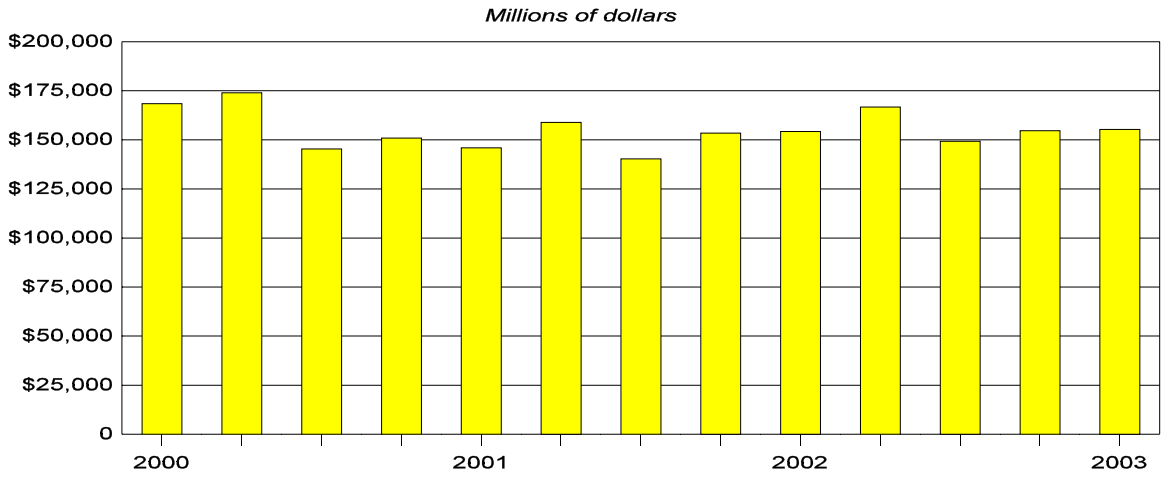
Downstream sector	Change in value between Q1 2002 and Q1 2003	Associated steel product category
	Percent	
Transportation equipment	0.7	Certain flat-rolled products, hot-rolled bar, cold-finished bar, and stainless steel bar
Steel cans[1]	-3.8	Tin mill products
Carbon steel forgings	-1.9	Hot-rolled bar and cold-finished bar
Stainless steel forgings	-6.1	Stainless steel bar
Nonresidential construction[2]	-4.8	Certain flat-rolled products, hot-rolled bar, cold-finished bar, rebar, welded tubular products, and fittings
Utilities, pipelines, and railroads[2]	-5.1	Welded tubular products and fittings
Metalworking machinery	-9.5	Stainless steel rod and stainless steel wire

[1] Measured by quantity.
[2] Measures by value of construction put in place.

Source: U.S. Census Bureau, Can Manufacturers' Institute, and Forging Industry Association

Transportation Equipment

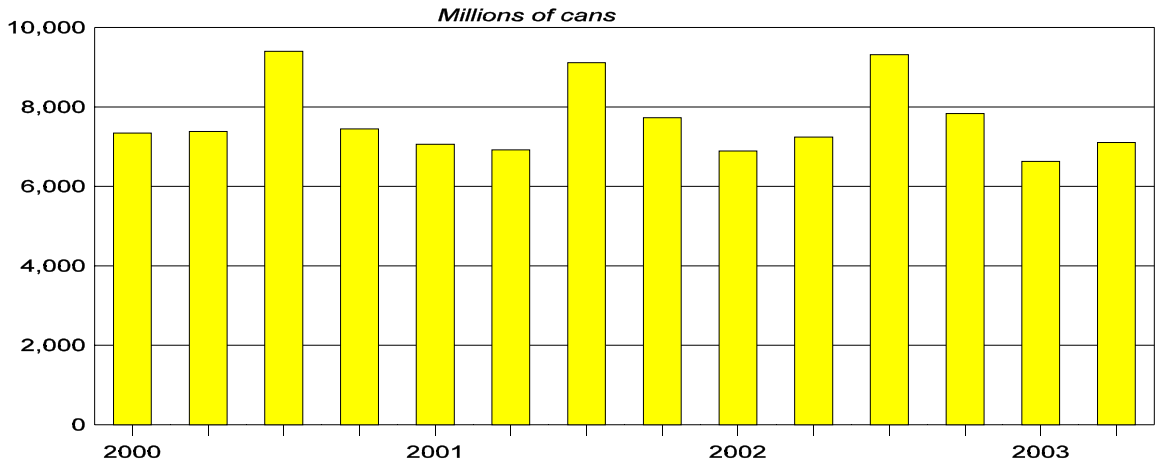
Figure OVERVIEW II-3
Transportation equipment: Value of U.S. manufacturers' shipments of transportation equipment, by quarters, January 2000-March 2003



Source: U.S. Census Bureau, *M3 Series-Value of Manufacturers' Shipments*.

Steel Cans

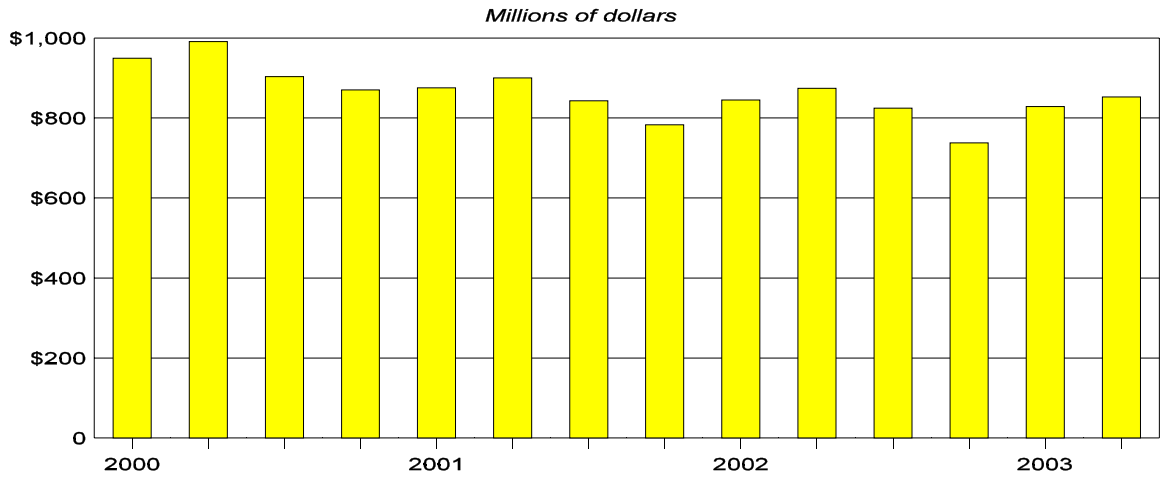
Figure OVERVIEW II-4
Steel cans: Quantity of U.S. manufacturers' shipments of steel cans for food, by quarters, January 2000-June 2003



Source: The Can Manufacturers' Institute.

Carbon Steel Forgings

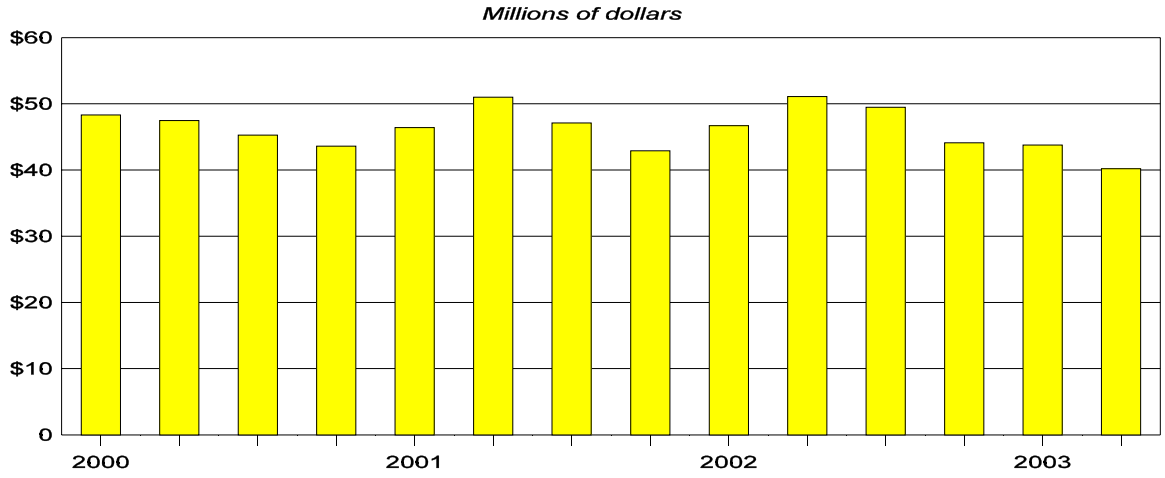
Figure OVERVIEW II-5
Carbon steel forgings: Value of U.S. manufacturers' shipments of carbon, carbon alloy, and micro alloy steel forgings, by quarters, January 2000-June 2003



Source: The Forging Industry Association.

Stainless Steel Forgings

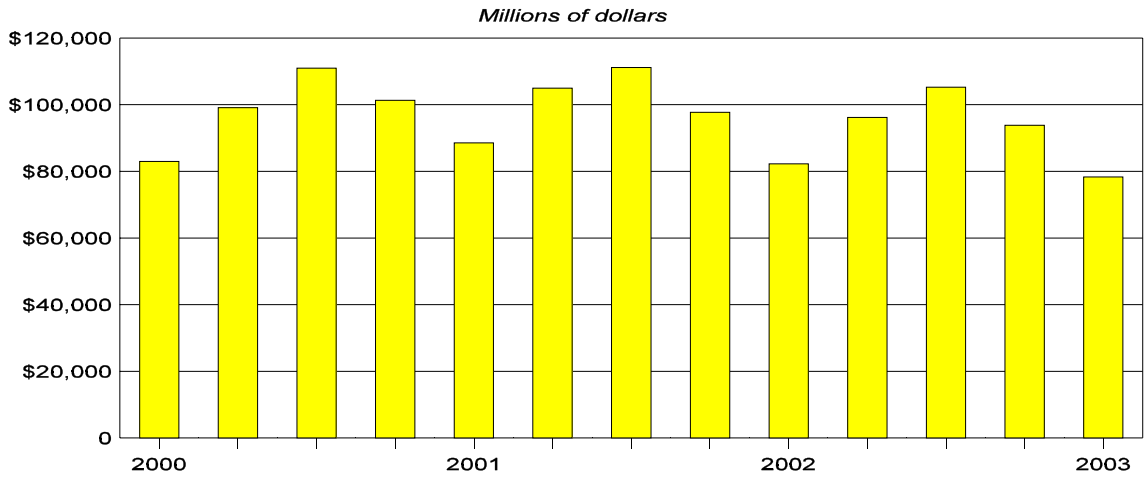
Figure OVERVIEW II-6
Stainless steel forgings: Value of U.S. manufacturers' shipments of stainless steel forgings, by quarters, January 2000-June 2003



Source: The Forging Industry Association.

Nonresidential Construction

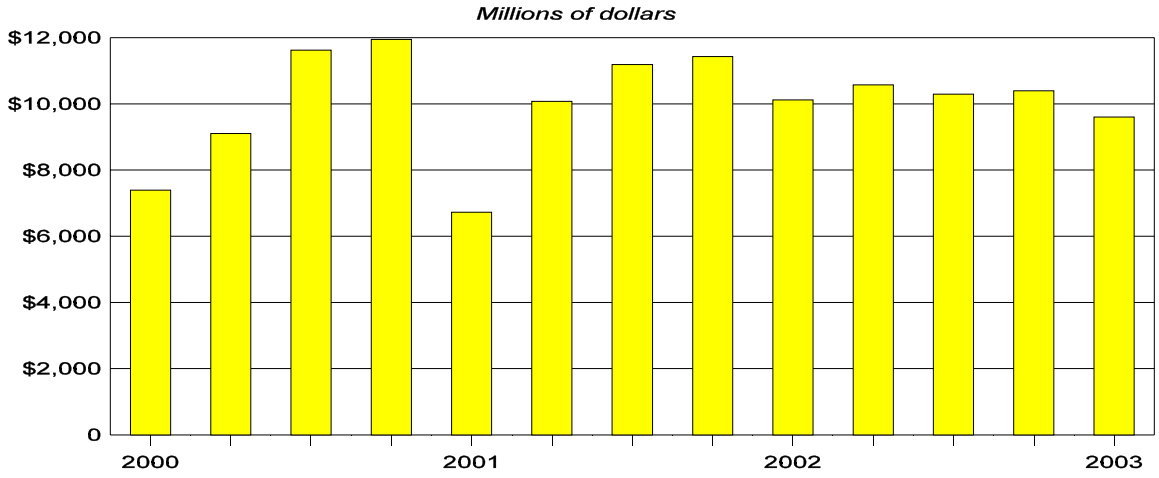
Figure OVERVIEW II-7
Nonresidential construction: Value of U.S. nonresidential construction put in place, by quarters, January 2000-March 2003



Source: U.S. Census Bureau, *C30 Report–Value of Construction Put in Place*.

Utilities, Pipelines, and Railroads

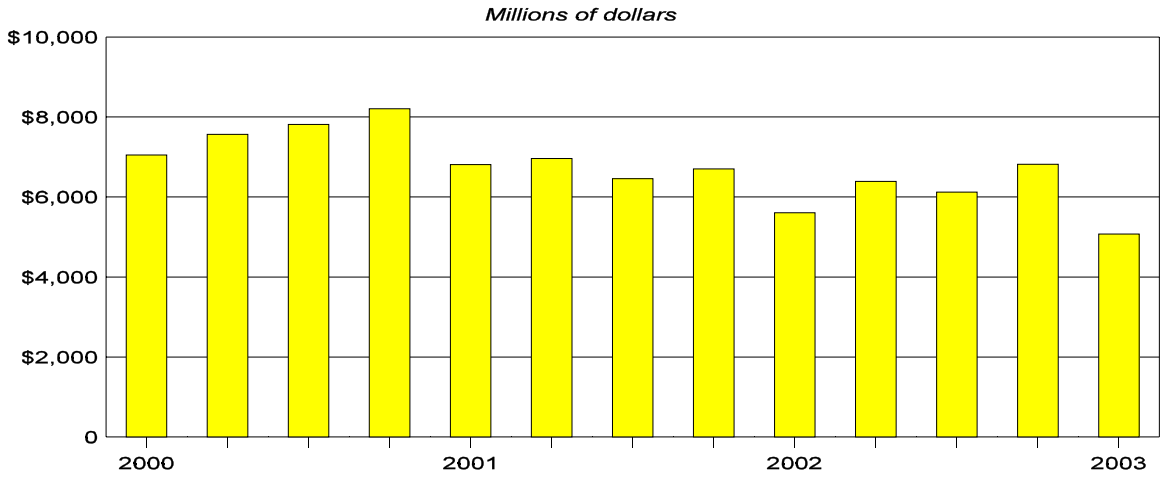
Figure OVERVIEW II-8
Utilities, pipelines, and railroads: Value of U.S. construction put in place, by quarters, January 2000-March 2003



Source: U.S. Census Bureau, *C30 Report–Value of Construction Put in Place*.

Metalworking Machinery

Figure OVERVIEW II-9
Metalworking machinery: Value of U.S. manufacturers' shipments, by quarters, January 2000-March 2003



Source: U.S. Census Bureau, *M3 Series–Value of Manufacturers' shipments*.

INPUT COSTS

Primary input costs in the production of steel products include energy inputs such as natural gas and electricity, and raw materials inputs such as steel scrap, nickel,[1] and coke. Price series for these inputs are shown in figures OVERVIEW II-10-OVERVIEW II-14.

Prices for energy inputs, particularly natural gas, have increased since April 2002. Prices for natural gas showed wide swings during the period, increasing to a peak of $6.82 per thousand cubic feet in January 2001, falling to a low point of $2.14 per thousand cubic feet in February 2002, then increasing to $5.45 per thousand cubic feet in February 2003. Since April 2002, prices for natural gas have increased sharply by 80.5 percent. Prices for electricity sold to industrial users fluctuated upward during the period. Since April 2002, electricity prices have increased slightly by 2.3 percent.

Prices for raw materials inputs also have increased since April 2002. Prices for steel scrap fell to a low point of $63.94 per long ton in November 2001, then increased to a high point of $118.52 per long ton in March 2003. Since April 2002, prices for steel scrap have increased by 30.8 percent. Prices for nickel fell steeply from a high point of $10,280 per ton in March 2000 to a low point of $4,825 per ton in October 2001, then increased to $8,797 per ton in July 2003. Since April 2002, nickel prices have increased by 26.4 percent. Yearly prices for coke fell slightly in 2001, then increased by 16.6 percent during the rest of the period.

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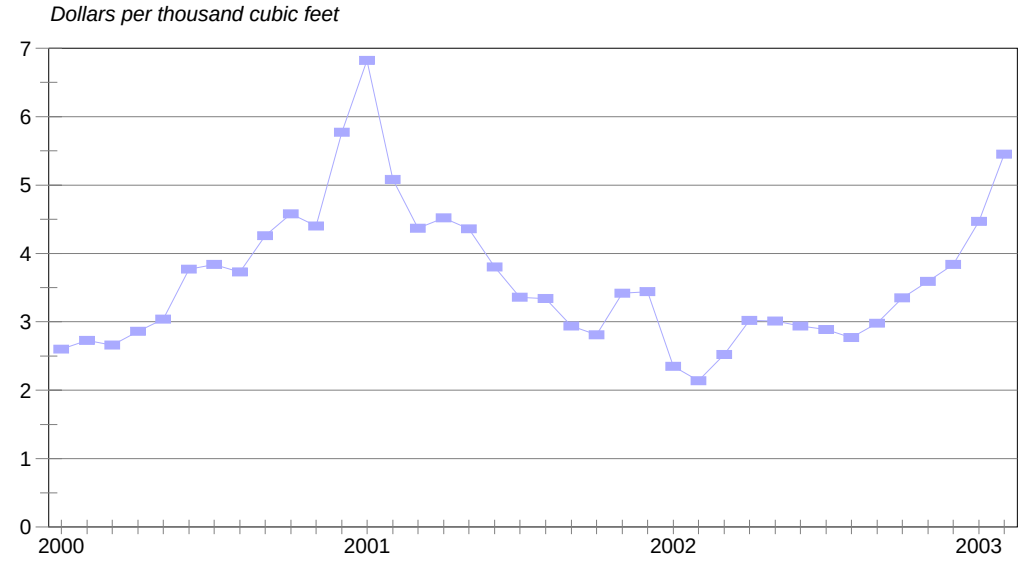
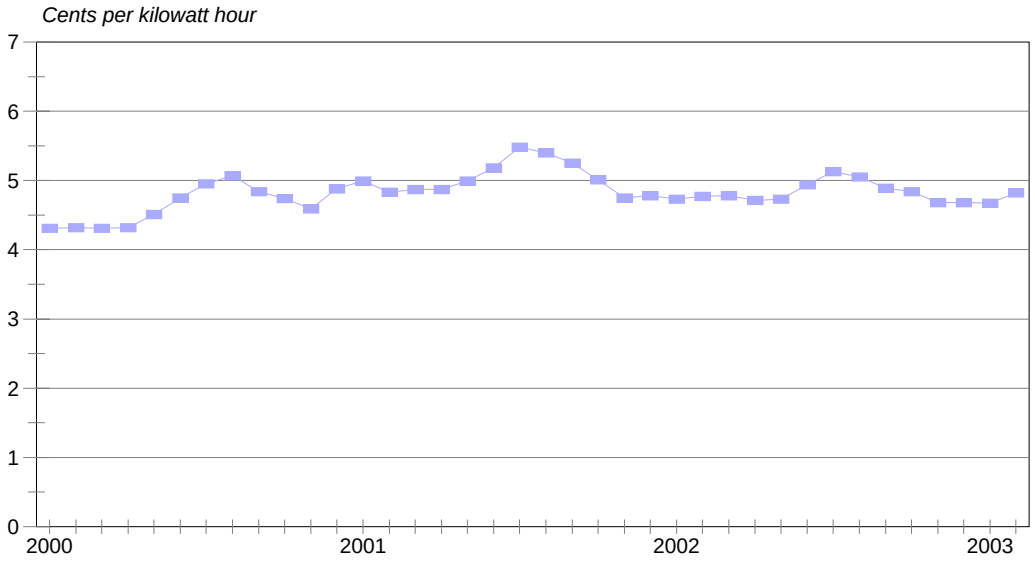
[1] Nickel is a major raw material input for making stainless steel and is reportedly priced globally for all manufacturers. One industry analyst testified that type 304 stainless steel has an eight percent nickel content, and estimated that, accounting for yield loss, for every 10 cents a pound increase in nickel cost, the cost of producing 304 stainless steel would increase by one cent per pound. *See* testimony of Ed Blot, President, Ed Blot and Associates, transcript of Commission hearing (July 7, 2003) at 50 and 97.

Figure OVERVIEW II-10
Natural gas: Monthly wellhead price of natural gas, January 2000-February 2003



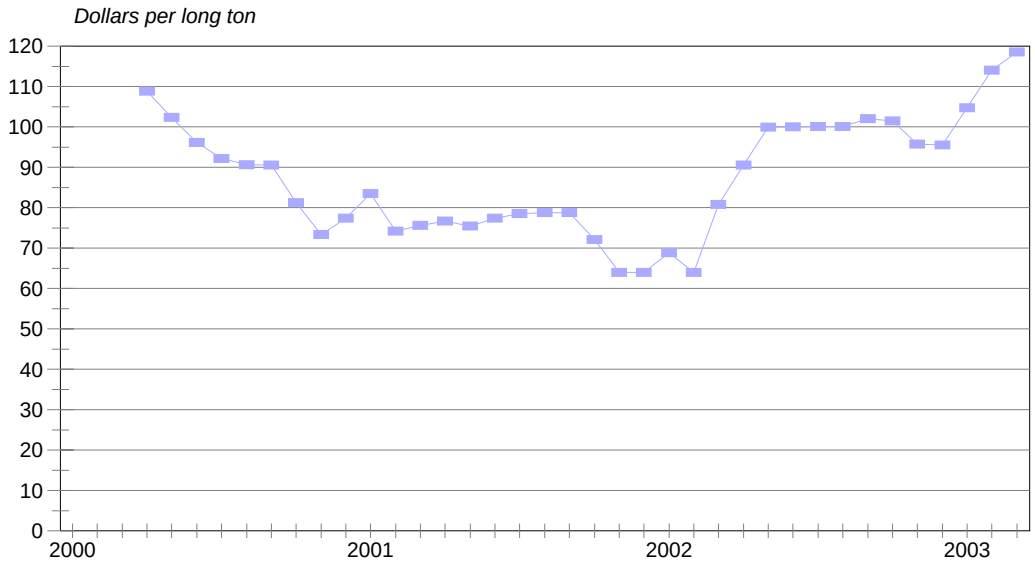
Source: Department of Energy, Energy Information Administration.

Figure OVERVIEW II-11
Electricity: Monthly prices of electricity sold to industrial customers, January 2000-February 2003



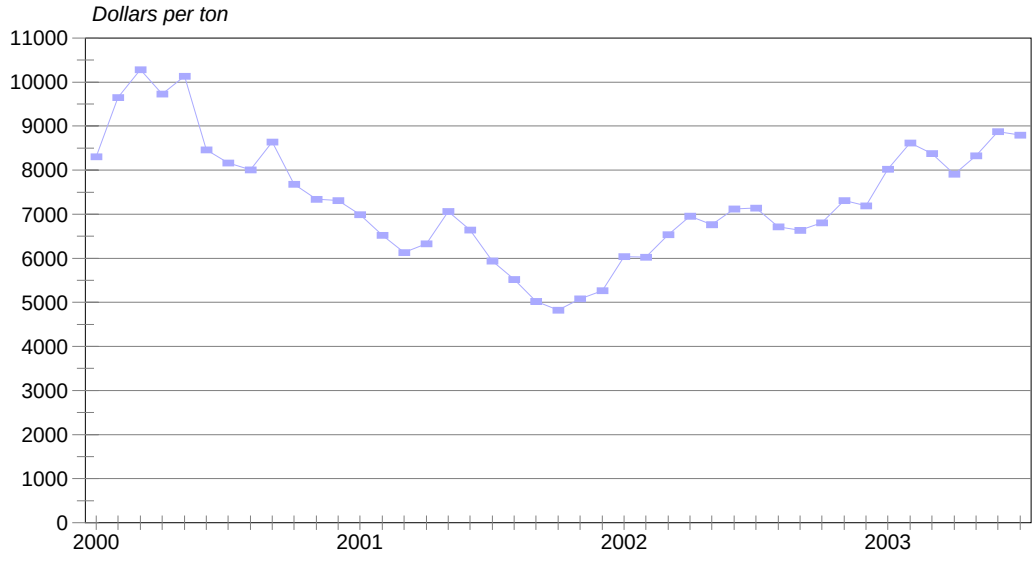
Source: Department of Energy, Energy Information Administration.

Figure OVERVIEW II-12
Steel scrap: Monthly prices of steel scrap, April 2000-March 2003



Source: American Metal Market.

Figure OVERVIEW II-13
Nickel: Monthly cash mean prices of nickel, January 2000-July 2003



Source: London Metal Market.

Figure OVERVIEW II-14
Coke: Yearly prices of coke, 2000-2003

Source: World Steel Dynamics, *Steel Strategist* No. 29.

EXCHANGE RATES

Exchange rate fluctuations between the U.S. dollar and foreign currencies can have a significant effect on the relative competitiveness of global steelmakers selling products in the U.S. market. As a country's currency depreciates against the U.S. dollar, the foreign producer can lower product prices expressed in U.S. dollars in the U.S. market while still receiving the same price expressed in its home currency. As shown in table OVERVIEW II-2, nominal exchange rates for most of the selected countries depreciated against the U.S. dollar, whereas real exchange rates were divided more evenly between appreciating and depreciating against the U.S. dollar.[2]

[2] One witness testified that exchange rates have "gone through the roof" and that there is now a differential between the U.S. dollar and the euro of about 30 percent, as much if not more than the remedy itself. Testimony of Gunter Von Conrad, counsel to the Association of Specialty Cold Rolled Strip Producers of Germany, transcript of Commission hearing (July 22, 2003) at 358. Another witness testified that there is much less reason now to be concerned about a flood of imports of carbon steel bar from Europe because the exchange rate has changed so significantly. Testimony of Richard Cunningham, counsel to the Corus Group, transcript of Commission hearing (July 24, 2003) at 332-333. In contrast, the welded pipe industry, for example, is quite concerned that a large under-valuation of the Chinese yuan has led to increased imports of finished goods, which has lowered demand for certain tubing. Testimony of Parry Katsafanas, President of Leavitt Tube Co., and Robert Bussiere, General Manager of Fire Protection Products of Allied Tube and Conduit Corporation, transcript of Commission hearing (July 17, 2003) at pages 88-89.

Table OVERVIEW II-2
Overall appreciation and depreciation amounts for currencies of selected countries relative to the U.S. dollar, April-June 2000 through January-March 2003

	Nominal exchange rate		Real exchange rate	
	Appreciation	Depreciation	Appreciation	Depreciation
Country	*Percent*	*Percent*	*Percent*	*Percent*
Argentina	–	67.9	–	34.7
Australia[1]	0.5	–	2.5	–
Brazil[1]	–	48.4	–	13.2
Canada	–	2.0	–	3.6
China[2]	–	–	–	–
Czech Republic	31.8	–	30.0	–
Egypt	–	39.8	–	35.2
E.U.[1]	15.0	–	15.0	–
India[1]	–	7.7	–	1.5
Indonesia	–	6.9	11.0	–
Japan[1]	–	10.3	–	18.4
Korea[1]	–	7.2	–	9.8
Mexico	–	11.6	–	0.1
Romania[1]	–	38.5	26.6	–
Russia[1]	–	10.3	29.8	–
Thailand[1]	–	9.7	–	6.1
Turkey[1]	–	63.0	7.3	–
United Kingdom[1]	4.5	–	1.6	–

[1] Covered countries. Certain carbon flat-rolled steel are the only covered products from Brazil. Fittings are the only covered products from India, Romainia, and Thailand. Rebar are the only covered products from Turkey.
[2] China's currency (yuan) is pegged to the U.S. dollar, so it neither appreciated or depreciated nominally. Chinese producer price indexes are not available, so real exchange rates could not be calculated.

Source: International Monetary Fund, *International Financial Statistics,* August 2003, March 2003, and December 2002, and http://imfstatistics.org.

PART III: U.S. DEVELOPMENTS (1999-2002)[1]

U.S. PRODUCERS

A list of U.S. producers that responded to the Commission's request for information, including the products produced by each firm, is presented in table OVERVIEW III-1.

Table OVERVIEW III-1
Steel: U.S. producers, by products, April 2000-March 2003

* * * * * * *

FINANCIAL AND INVESTMENT TRENDS

The production of most steel products included in this investigation is a highly capital-intensive undertaking. Companies require regular infusions of capital both for new equipment and regular maintenance and upkeep of existing capital stock. The sources of such investment have traditionally been retained earnings, debt, and equity. All of these avenues have been constrained for more than a decade. Since 1999, the market value of the stocks of steel companies in the United States has been in decline. Figure OVERVIEW III-1 shows the performance of the World Steel Dynamics (WSD) major mill and minimill stock indices, which it began tracking in 1997. Stock prices of both groups, which are indicators of past or expected future financial performance, have declined significantly since that time, inhibiting companies' ability to raise money in equity markets.

Only a few U.S. steel companies are in a position to raise capital or refinance their existing debt through issuance of unsecured bonds. Table OVERVIEW III-2 shows the history of the ratings of the senior debt of representative steel companies since 1999, as rated by Moody's Investment Service.

The senior debt[2] of only four U.S. steel companies is rated "investment grade."[3] The debt of the rest of the companies is rated lower than investment grade or not rated at all, limiting companies' access to capital markets. Moreover, since 1999, the debt ratings of steel companies have been repeatedly lowered as companies have had difficulty earning a return on their invested capital.

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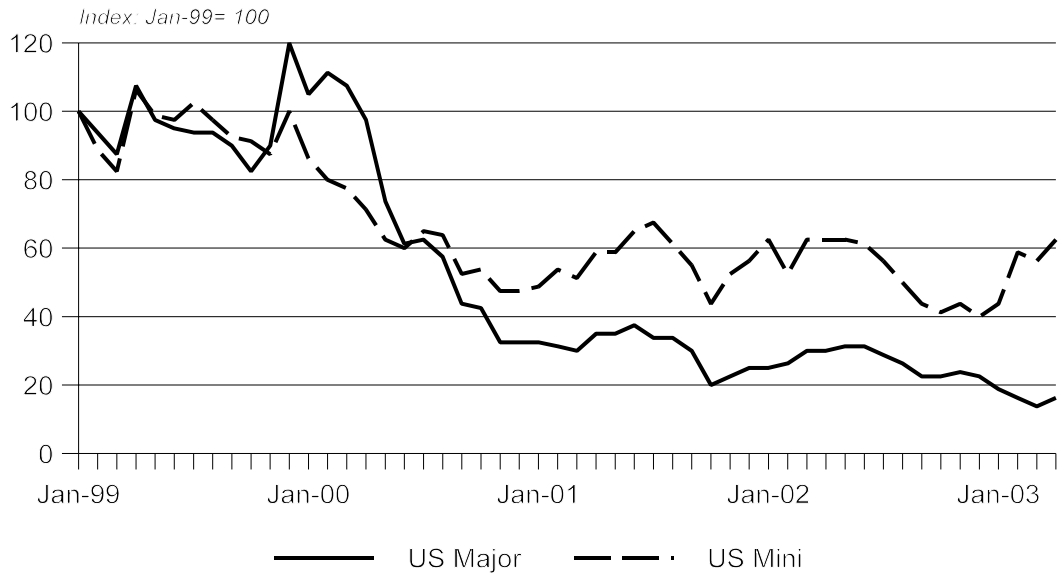
[1] This section is based on information presented in the Commission's section 201 steel report, and has been updated to reflect changes since 2001. *See*, *Steel*, Inv. No. TA-201-73, USITC Pub. 3479, December 2001.

[2] Subordinated debt, such as debentures, has historically been rated lower than senior debt. Senior debt is a class of securities, bonds, notes, or shares that has preference in instances of company liquidation over another class.

[3] The four companies are Allegheny Technologies Inc. (which does not produce products subject to this 204 investigation), Carpenter Technology Corp., Commercial Metals Co. (CMC), and Nucor Corp. The senior debt of U.S. Steel Corp. is no longer rated investment grade following its spinoff from USX Corporation.

Figure OVERVIEW III-1
World Steel Dynamics' index of steel stock prices, U.S. major mills and U.S. minimills, by months, January 1999-March 2003



Note--Major mills include AK, Bethlehem, Ispat-Inland, LTV, National, Rouge, U.S. Steel, Weirton, and WHX. Minimills include Bayou, Birmingham, Commercial Metals, Keystone, Nucor, Oregon, and Steel Dynamics.

Source: World Steel Dynamics.

Table OVERVIEW III-2
Moody's ratings[1] of senior unsecured debt of selected[2] U.S. steel producers, 1999-2003

Company	1999	2000	2001	2002	2003
AK Steel			⇓Ba3		Ba3
Bethlehem[3]		⇓B2	⇓Caa1 ⇓Ca		
Carpenter Technology		⇓Baa1		⇓Baa3	Baa3
Commercial Metals					Baa1
Geneva[4]	⇓ Ca ⇓ C	WR			
Northwestern Steel and Wire[5]	⇓Caa1 ⇓Ca		WR		
Nucor					A1
Weirton			⇓Caa3 ⇓Ca		Ca
Wheeling-Pittsburgh[6]		⇓B3 ⇓Caa3	⇓C WR		

[1] Moody's ratings range from Aaa (highest) to C (lowest). Ratings of Baa and higher are considered "investment grade." The numerical modifiers run from 1 (highest) to 3 (lowest). WR indicates "withdrawn rating" an action which usually occurs upon the bankruptcy of the rated firm.
[2] Moody's did not provide histories for all rated steel companies.
[3] Bethlehem entered bankruptcy in October 2000 and was acquired by International Steel Group in May 2003.
[4] Geneva was under bankruptcy protection from February 1999 to December 2000 then shut down operations in November 2001, and reentered bankruptcy in January 2002. The company's parent entered bankruptcy in September 2002.
[3] Northwestern Steel and Wire ceased operations in May 2001.
[6] Wheeling-Pittsburgh entered bankruptcy protection in November 2000 and exited August 2003.

Source: Moody's Investor's Service.

Bankruptcies

Since January 1999, 31 steel companies producing products subject to the steel safeguard measures sought the protection of the bankruptcy courts because of their lack of resources. Seven of those bankruptcy filings occurred after the implementation of the safeguard measures. Most of these companies continued to operate while they developed reorganization plans to restructure their debts, but several were forced to liquidate their assets. Many of the companies that have been forced into bankruptcies are those that invested during the 1990s with the plan of improving their capabilities. Information on U.S. steel producers that have filed for bankruptcy since April 2000 is presented in tables FLAT I-3, LONG I-3, TUBULAR I-3, and STAINLESS I-3 that are presented in Part I of subsequent chapters of this report.

Mergers and Acquisitions

Since the implementation of the steel safeguard measures, there have been a number of instances of firms acquiring the assets of bankrupt steel companies and consolidating them into larger steel companies. This has included both large integrated companies as well as large minimill companies. Specifically, International Steel Group acquired the steelmaking assets of LTV Steel, Acme Metals, and Bethlehem Steel; U.S. Steel acquired the assets of National Steel; and Nucor acquired the assets of Trico Steel and Birmingham Steel. In another major merger event, not involving bankrupt entities, Ameristeel (the North American operations of Gerdau S.A. of Brazil) merged with Co-Steel Inc. of Canada to form Gerdau Ameristeel, which operates a total of 11 minimills in the United States and Canada. Information on recent steel company mergers and acquisitions is presented in tables FLAT I-4, LONG I-4, TUBULAR I-4, and STAINLESS I-4 that are presented in Part I of subsequent chapters of this report.

Capital Investments

The U.S. steel industry has invested much of its available capital to investments intended both to expand total capacity and to improve product mix by expanding capacity to produce higher value-added products. Information on recent, major capital investments of U.S. steel companies is presented in tables FLAT I-5, LONG I-5, TUBULAR I-5, and STAINLESS I-5 that are presented in Part I of subsequent chapters of this report.

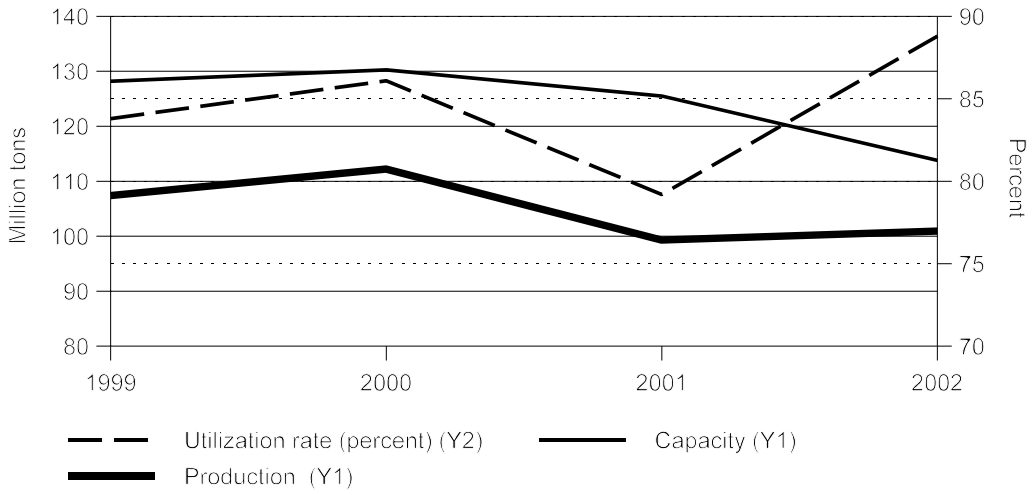
CAPACITY, PRODUCTION, SHIPMENTS, AND INVENTORIES

The United States was the third-largest steel producer in the world in 2002, producing 101 million tons of raw steel (10 percent of the world total raw steel output), a 6-percent decline from the 1999 level of 107 million tons and down from a peak of 112 million tons in 2000 (figure OVERVIEW III-2).[4] Indiana leads all states in steel production, followed by Ohio.[5]

[4] American Iron and Steel Institute (AISI), *Annual Statistical Report-2002*, p. 4. China and Japan are the largest and second largest global steel producers, respectively. Ibid., pp. 128-130.

[5] Ibid.

Figure OVERVIEW III-2
U.S. raw steel production, capacity, and utilization rate, 1999-2002



Source: AISI, *Annual Statistical Report*, 2002.

During 1999-2002, total domestic raw steel capacity decreased from 128 million tons to slightly less than 114 million tons, a reduction of about 11 percent. Although capacity fell in 2001, production fell by a larger degree, resulting in a further decrease in capacity utilization to 79.2 percent in 2001. However, this declining trend was reversed in 2002 as a result of many plant closings while production increased slightly, raising the utilization rate to 88.8 percent in that year.

Production in electric arc furnaces has mirrored the trend in total raw steel production during 1999-2002 (figure OVERVIEW III-3). Basic oxygen furnace method production as a share of total production has declined from almost 54 percent in 1999 to slightly less than 50 percent in 2002, with electric arc process production becoming the leading source of raw steel production in the United States.

During 1999-2002, total net shipments[6] of steel as reported by AISI decreased by about 6 million tons, or almost 6 percent,[7] while imports of finished steel declined by 3 million tons, or by 12 percent [8] (figure OVERVIEW III-4). The share of apparent consumption accounted for by finished steel imports ranged from 20 to 22 percent during the period.[9] By contrast, U.S. exports remained at a low level, rising from 5 million tons, peaking at almost 7 million tons in 2000, and then remaining at approximately 6 million tons during 2001-2002.

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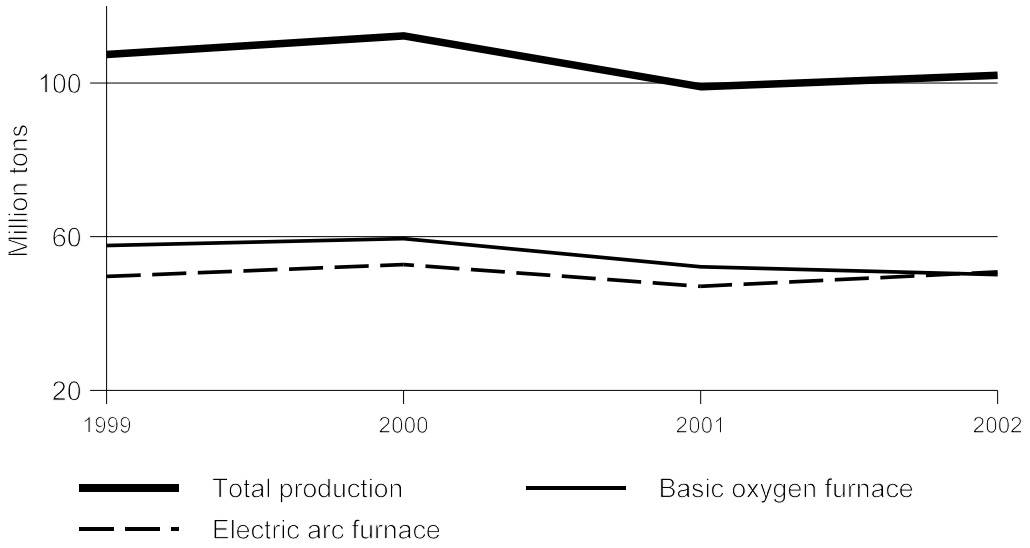
[6] The data shown in this figure depict general trends for the overall U.S. steel industry and are presented for illustrative purposes.

[7] U.S. net total steel shipments rose from 106 million tons in 1999 to 109 million tons in 2000, before declining to 100 million tons during 1999-2002. *See* AISI, *Annual Statistical Report-2002*, p. 4.

[8] U.S. imports of finished steel rose from 27 million tons in 1999 to 29 million tons in 2000, before declining to 24 million tons in 2001 and remaining at that level in 2002. *See* AISI, *Annual Statistical Report-2002*, p. 4.

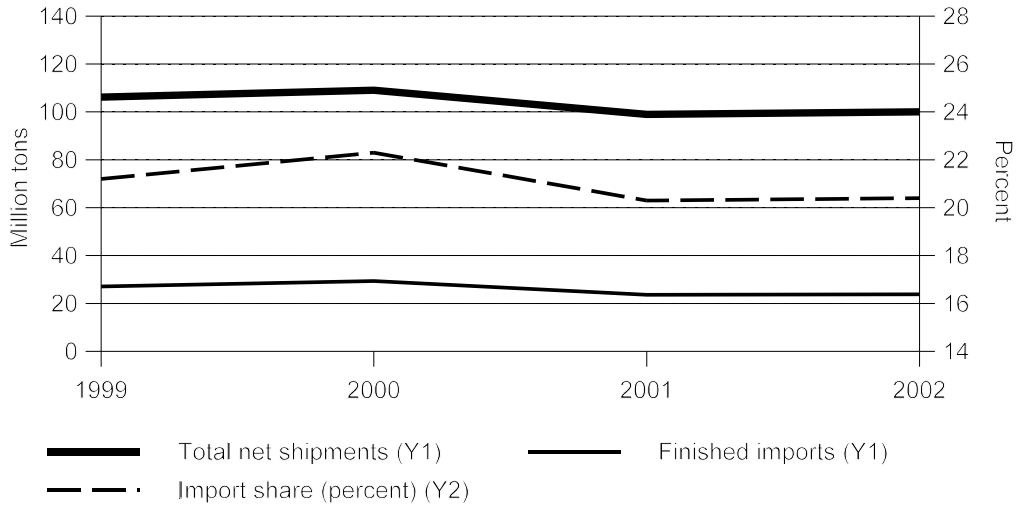
[9] Ibid.

Figure OVERVIEW III-3
Annual U.S. raw steel production, by processes, 1999-2002



Source: AISI, *Annual Statistical Report*, 2002.

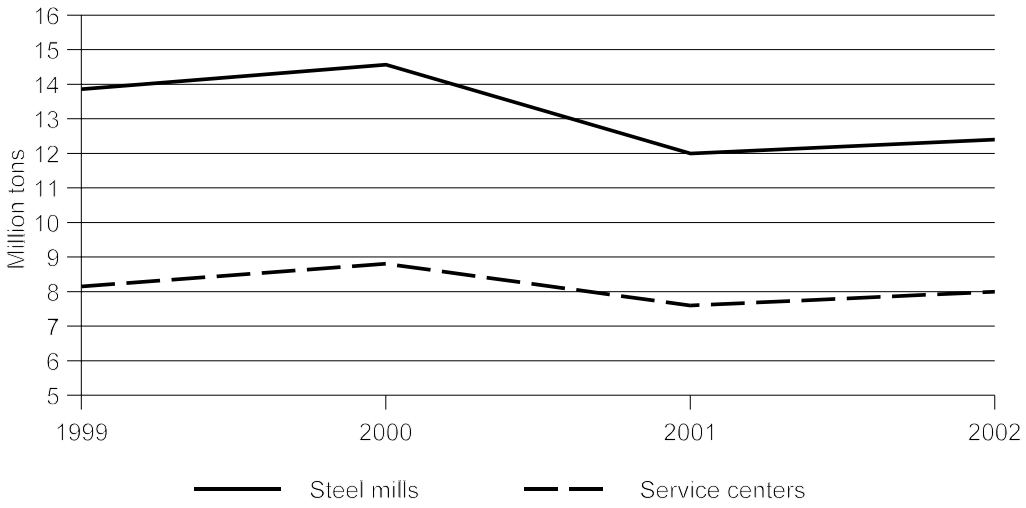
Figure OVERVIEW III-4
Steel: Total net shipments, imports, and finished import share of apparent U.S. consumption, 1999-2002



Source: AISI, *Annual Statistical Report*, 2002.

Steel inventories are held by numerous market participants, including producers, end users, importers, and service centers. Public data on inventory holdings are available only for those inventories held in storage at steel mills or at service centers. As shown in figure OVERVIEW III-5, the quarterly average inventories held by these two sources peaked in 2000.[10] In 2001, the inventory levels held decreased substantially (for steel mills, to the lowest level since 1991) before recovering only slightly in 2002.

Figure OVERVIEW III-5
Steel: U.S. inventory levels based on quarterly averages, 1999-2002



Source: U.S. Department of Commerce, *Current Industrial Reports*, various years.

EMPLOYMENT AND PRODUCTIVITY

The trend in employment for durable goods manufacturing, basic steel products, and blast furnace and steel mills all followed a declining path from 1999 to 2002 (table OVERVIEW III-3). The value of durable goods production, on a monthly basis, peaked in June 2000, and fell by almost 13 percent by December 2002.[11] The United States was in a recession from March 2001 to November 2001.[12]

[10] As noted above, the products included in these data do not exactly match the scope of the investigation.

[11] U.S. Census Bureau, *Manufacturers' Shipments, Inventories, and Orders (M3) Survey* data found at *http://www.census.gov/indicator/www/m3/hist/m3bendoc.htm.*

[12] National Bureau of Economic Research, "Business Cycle Dating Committee, National Bureau of Economic Research," found at *http://www.nber.org/cycles/july2003.html*, retrieved August 26, 2003.

Table OVERVIEW III-3
Employment: All manufacturing, basic steel products, and blast furnaces and steel mills, 1999-2002

Standard industrial Classification (SIC) code	Industry	Employment				Change	
		1999	2000	2001	2002		
		1,000 workers				*Number*	*Percent*
24-39	Durable goods manufacturing	11,111	11,141	10,636	9,906	-1,205	-11
331	Basic steel products[1]	227	224	209	188	-40	-17
3312	Blast furnaces and steel mills[2]	154	151	140	124	-29	-19

[1] Includes blast furnaces, steel mills, and manufacturers of basic steel products produced from purchased steel (for example, certain pipe and wire manufacturers).

[2] SIC 3312, Steel Works, Blast Furnaces (including Coke Ovens), and Rolling Mills, is a subset of SIC industry grouping 331. SIC 3312 covers products made at steel works and blast furnaces (includes (EAFs)), coke ovens including those not integrated with steel mills, and hot rolling of purchased steel.

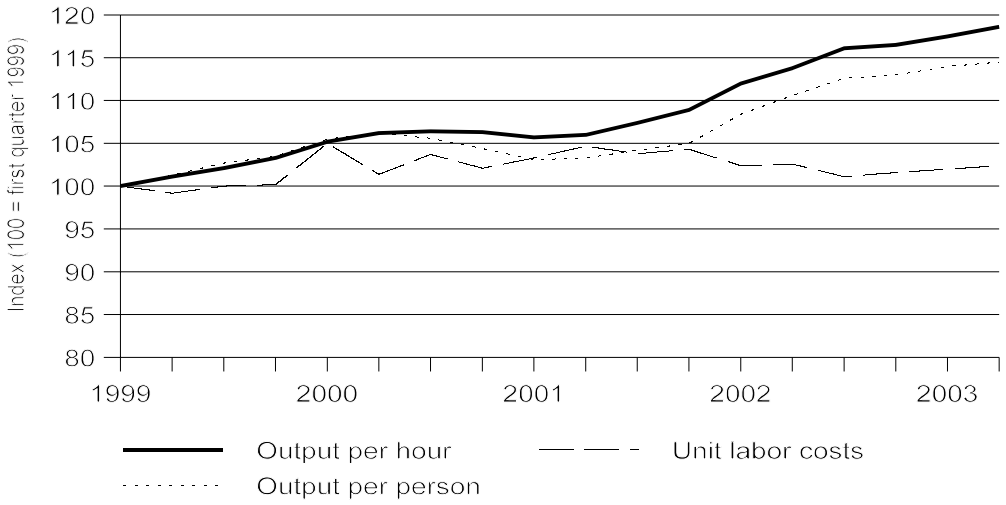
Note.–Calculations are made from unrounded figures.

Source: Source: Bureau of Labor Statistics, *Current Employment Survey*.

Productivity in the U.S. durable goods manufacturing industry has risen substantially during 1999-2003 (figure OVERVIEW III-6). The index of output per hour in durable goods manufacturing and output per person have risen substantially, while unit labor costs have remained almost flat.

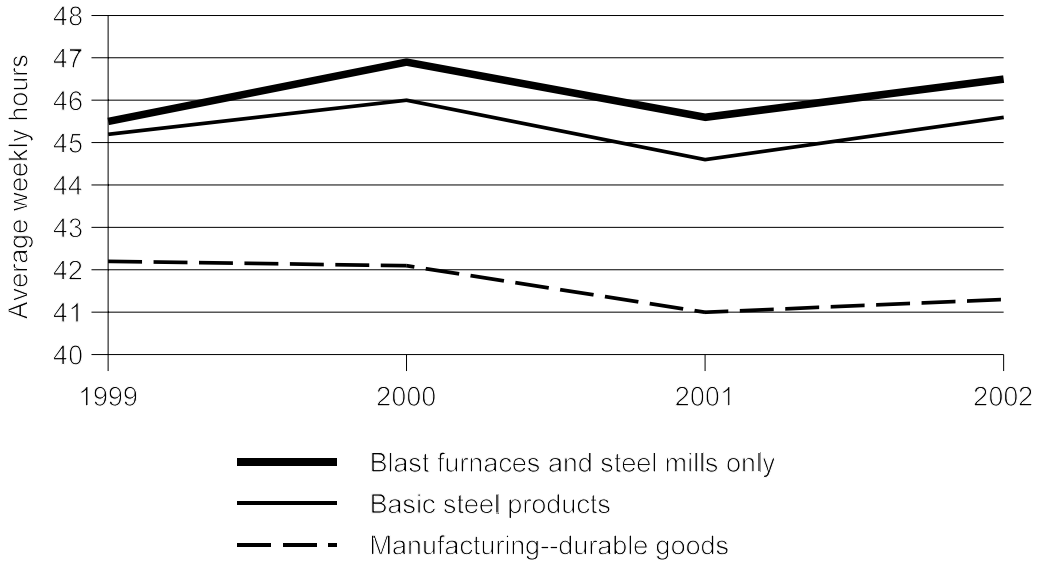
The trends in average hours worked, including overtime, for production workers for durable goods manufacturing and the steel industry were similar during 1999-2002, except between 1999 and 2000, when the trend in durable goods manufacturing was flat (figure OVERVIEW III-7). Individual production workers in the blast furnace and steel mills industry worked an average of 46 to 47 hours per week, compared with the average of 41 to 42 hours per week for workers in durable goods manufacturing during 1999-2002. This gap was particularly large in 2002, and was likely attributable to U.S. steel producers increasing steel production in 2002 with fewer workers, particularly since U.S. steel industry employment had been declining. During 1999-2002, average weekly overtime hours in durable goods manufacturing declined from almost 5 hours in 1999 and 2000 to about 4 hours in 2001 and 2002, compared with almost 7 hours in 1999 and 2001-2002 and 8 hours in 2000 for steel and blast furnace production.

Figure OVERVIEW III-6
U.S. Durable goods manufacturing: Selected productivity measures, quarterly, 1999-second quarter 2003



Source: U.S. Bureau of Labor Statistics.

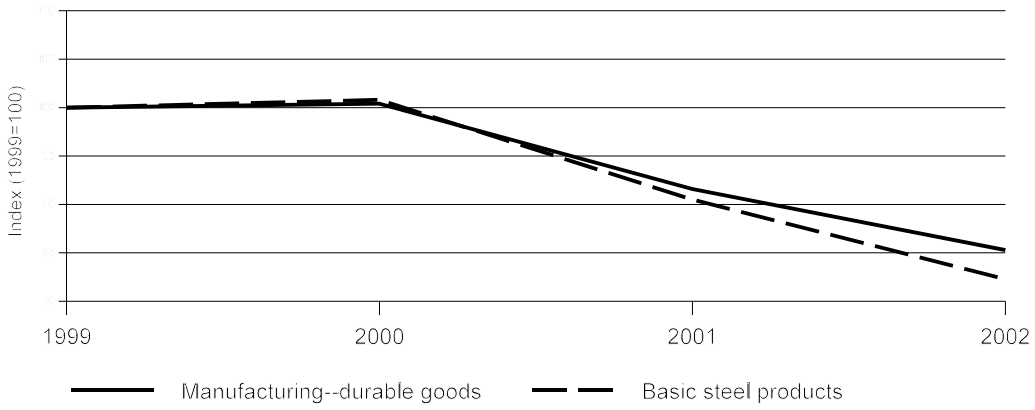
Figure OVERVIEW III-7
Average weekly hours, including overtime hours, of individual production workers: Durable goods manufacturing, basic steel products, and blast furnaces and steel mills only, 1999-2002



Source: Bureau of Labor Statistics, *Current Employment Survey.*

Indexes of aggregate hours worked for durable goods manufacturing and basic steel products generally show a flat trend between 1999 and 2000, before falling in 2002 (figure OVERVIEW III-8). The large decrease in the index of aggregate hours worked for basic steel products reflects significant employment declines in the steel industry during 1999-2002.

Figure OVERVIEW III-8
Indexes of aggregate weekly hours: Durable goods manufacturing and basic steel products, 1999-2002



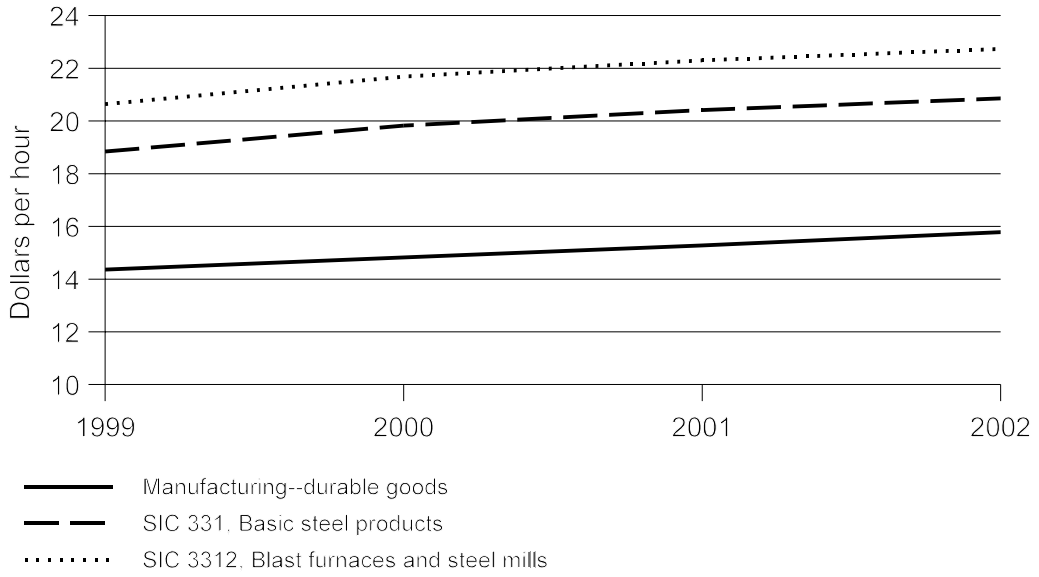
Note.–1999=100. These indexes compare annual aggregate weekly hours (including overtime) for each industry segment during 1999-2002 with aggregate weekly hours for that same industry segment in 1999.

"Basic products" includes blast furnaces, steel mills, and manufacturers of basic steel products produced from purchased steel (for example, certain pipe and wire manufacturers).

Source: Bureau of Labor Statistics, *Current Employment Survey*.

Average hourly earnings of production workers in both durable goods manufacturing and the steel industry rose continually during 1999-2002 (figure OVERVIEW III-9). Average hourly earnings of production workers in the steel industry were significantly higher than such earnings in the durable goods manufacturing industry. Average hourly earnings are influenced not only by changes in normal wage rates but also by overtime pay and occupational shifts within an industry sector. Therefore, trends in average hourly earnings may not reflect changes in base pay.

Figure OVERVIEW III-9
Average hourly earnings of production workers: All manufacturing and basic steel products, and blast furnaces and steel mills, 1999-2002



"Basic products" includes blast furnaces, steel mills, and manufacturers of basic steel products produced from purchased steel (for example, certain pipe and wire manufacturers).

Source: Bureau of Labor Statistics, *Current Employment Survey*.

PENSIONS AND POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retirement benefits (pensions) and other post-employment benefit (OPEB) plans, which are chiefly health, medical care, and life insurance benefits, cover specified groups of company employees, and are included in contractual arrangements between a company and its workers. For the domestic steel industry, these arrangements and their associated costs and liabilities generally stem from contract negotiations during the 1970s and 1980s, and are considered to be among the largest legacy costs (primarily pension benefit and retiree healthcare costs) of the industry.[13] Many of the companies funded only current expenses, leaving the potential liabilities not fully funded, or funded their pension plans only to the minimum extent they were required to do so by Federal law, and most companies that had gone into bankruptcy proceedings (see discussion on bankruptcies) terminated underfunded pension and OPEB plans. Since 2000, the Pension Benefit Guaranty Corporation (PBGC), a U.S. Government agency,[14] has terminated and taken over the pension plans of 11 U.S. steel producers of steel subject to the steel safeguard measures (table OVERVIEW III-4).[15]

[13] For a discussion of some of the retirement benefits and related costs, *see* John P. Hoerr, *And the Wolf Finally Came* (University of Pittsburgh Press: 1988), pp. 78-80, and 512. *See also* the benefit calculations included in pension and OPEB plans that a number of companies attached to their questionnaire responses. *See* Steel, investigation No. TA-201-73, USITC Pub. 3479 (December 2001), p. OVERVIEW-31.

[14] The Pension Benefit Guaranty Corporation (PBGC) was established in 1974 by the Employee Retirement Income Security Act (ERISA) to protect employee pension benefits when a defined-benefit pension plan is terminated because of bankruptcy or for another reason. After a plan is terminated, PBGC becomes trustee of the plan and guarantees some benefits, the amount of which may differ from the original sponsor's plan.

[15] Other companies producing steel products other than those covered by the safeguard measures and also processing steel, or engaged in steel related activities, also have had pensions taken over by the PBGC, including LTV Railroads, EvTac (iron ore mining), Edgewater Steel Ltd., and Freedom Forge Corp.

Table OVERVIEW III-4
Subject steel: Steel company pension plans taken over by the PBGC[1]

Date of PBGC takeover	Date of bankruptcy filing	Company	Persons covered[2]	Under-funding level[2]	Company status
			Number	*Million dollars*	
December 2002	October 2001	Bethlehem Steel	95,000	4,300.0	Acquired by ISG in May 2003
December 2002	March 2002	Calumet Steel Co.	520	1.2	Ceased operations in March 2002
December 2002	March 2002	National Steel Corp.	35,000	1,500.0	Acquired by U.S. Steel in May 2003
November 2002	January 2002	Geneva Steel	([3])	20.0	Ceased operations in December 2001
August 2002	September 1998	Acme Metals, Inc.	3,800	170.0	Ceased operations October 2001, assets acquired by ISG in October 2002
August 2002	February 2001	GS Industries (Kansas City, MO facility)	1,000	44.0	Kansas City, Mo facility permanently closed
June 2002	April 2001	Republic Technologies International	6,200	310.0	Certain assets acquired by Republic Engineered Products in August 2002
March 2002	December 2000	LTV Corp.	82,000	2,200.0	Ceased operations December 2001, assets acquired by ISG in April 2002; restarted in May and June 2002
March 2002	January 2001	CSC Ltd.	1,000	56.0	Ceased operations in April 2001
September 2001	December 2000	Northwestern Steel and Wire	4,600	160.0	Ceased operations May 2001, assets acquired by Leggett & Platt July 2002
August 2001	June 2001	Empire Specialty Steel, Inc.	2,500	0.5	Ceased operations December 2001, assets acquired by State of New York and later sold to Universal Stainless in February 2002
January 2001	July 2001 and November 1998	Laclede Steel Co.	4,000	106.0	Ceased operations August 2001, acquired by Alton Steel in January 2003.

[1] *See http://www.pbgc.gov/plans* for each company; *see also*, *http://www.pbgc.gov/news/press_releases* for 2000-02.
[2] The level of underfunding is usually greater than the PBGC's liability for the plan because the amount the agency may pay to retirees is subject to limitations. Also, the number of retirees is usually smaller than the number of plan participants, which includes both retirees and active workers. For example, the PBGC's estimated liability for Bethlehem Steel was $3.7 billion, for National Steel, $1.1 billion, and for LTV Corp., $1.9 billion. Bethlehem Steel's pension plan covered 67,000 retirees out of 95,000 persons in the plan, and LTV Corp.'s pension plan covered 53,000 retirees out of 82,000 persons in the plan.
[3] Not available.

Source: Pension Benefit Guaranty Corporation; company status from various industry publications.

The PBGC withdrew its motion to terminate and take over the pension plan of bankrupt WHX Corporation in March 2003.[16] WHX's pension plan covered employees of Wheeling-Pittsburgh Steel and Handy & Harman. Wheeling-Pittsburgh was granted a loan guarantee under the Emergency Loan Guarantee Program (which provides loan guarantees to steel producers) in March 2003, the firm's reorganization plan was approved by the bankruptcy court in June 2003, and it emerged from bankruptcy in August 2003. Employees in Wheeling-Pittsburgh's existing pension plan reportedly have not lost benefits;[17] the labor agreement was structured similarly to the agreement between the USWA and ISG.[18]

Pension cost and the liability associated with pensions and OPEBs are reported under applicable accounting and reporting standards (GAAP). Public companies have to adhere to certain standards of reporting current and noncurrent pension and other benefits expenses and liabilities. The accrual accounting for pensions and OPEBs is complex, but the two key elements are the net periodic cost or benefit (shown on the income statement), and the pension liability (shown on the balance sheet).[19]

Data covering sales revenue, operating income, costs, and funding status related to steel company[20] post-employment obligations were compiled from those companies' annual public reports on their Form 10-K to the Securities and Exchange Commission (SEC) (table OVERVIEW III-5). Although the majority of the 27 companies surveyed have defined benefit plans,[21] others have only defined contribution plans,[22] and several of those companies that sponsored defined benefit plans also sponsored

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[16] Official of Pension Benefit Guarantee Corp., telephone interview with Commission staff, August 27, 2003.

[17] Ibid.

[18] USWA press release of July 30, 2003, "Steelworkers at Wheeling-Pitt Approve 5-year Agreement," retrieved at *http://www.uswa.org/press/0730003_Steelworkers_At_Wheeling_Pitt_Approve.htm* on September 4, 2003.

[19] *See* Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards (SFAS) numbers 87, 88, and 106.

[20] In the section 201 investigation, companies surveyed in this section were compiled from lists of companies responding to recent investigations of flat-rolled, long, and specialty steel products. Because the data of several of those companies are not available or available only to a limited extent (chiefly because they ceased reporting after filing for bankruptcy), the database was modified to omit non-reporting companies and expanded to include additional firms, drawing from the SEC's list of reporting companies classified in SIC 3312.

[21] Under a defined benefit plan the employer agrees to provide a benefit at retirement that is fixed by a formula. Because the benefits are defined, the employer accepts the risk associated with changes in the variables that determine the amounts needed to meet the obligation to plan participants. Most noncontributory defined benefit plans have pensions that are based on final pay and years of service. The companies in this compilation that have defined benefit plans are: AK Steel, Ameristeel, Bethlehem, Carpenter Technology, ISPAT-Inland, Keystone, Lone Star, National, Oregon, Republic Technologies, Roanoke, Rouge, RyersonTull, Sheffield, Timken, USS, WCI, Weirton, and WHX (Wheeling-Pittsburgh). The majority of these companies are integrated steelmakers.

[22] Under a defined contribution plan the employer agrees to make a defined contribution to a pension plan as determined by the provisions of the plan. Consequently, plan participants will receive at retirement whatever benefits the contributions can provide. The accounting is relatively straight-forward: each year the employer records an expense for the contribution. The companies that have defined contribution plans are: Birmingham, CSI, Commercial Metals (parent of Structural Metals Inc.), NS Group, Nucor, Steel Dynamics, TXI (Texas Industries), and Universal Stainless. A defined contribution plan is not guaranteed by the U.S. Government, unlike a defined benefit plan. All of these companies produce steel in an electric arc furnace.

Table OVERVIEW III-5
Salient post-employment benefit data of selected steelmakers, fiscal years 2000-2002

Item	Fiscal years		
	2000	2001	2002
	Value *(million dollars)*		
Defined benefit plans:			
Total net commercial sales	34,474	31,307	33,056
Operating income or (loss)	105	(2,584)	(1,501)
Total assets	38,300	35,596	34,670
Post-employment pension benefits:			
Net periodic cost or (benefit)	394	806	926
Funded status–fund assets (less than)/ greater than benefit obligation	2,288	(2,962)	(8,007)
Post-employment benefits other than pensions:			
Net periodic cost (benefit)	730	837	1,103
Funded status–fund assets (less than)/ greater than benefit obligation	(8,777)	(10,452)	(11,906)
Defined contribution plans:			
Total net commercial sales	11,173	10,086	10,989
Operating income	907	333	638
Total assets	9,748	9,419	9,905
Net pension plan expense	127	80	103
Net OPEB expense	10	2	8

Note–Republic and Sheffield are included for 2000 and 2001 only. WHX reported OPEB only (the PBGC assumed the firm's pension plans).

Source: Compiled from data reported in company form 10-K reports filed with the SEC.

small contribution plans. The data reflect amendments to post-employment benefit plans and the initiation or termination of plans.[23]

Between fiscal year 2000 and fiscal 2002, the combined net periodic expense increased from a cost of $394 million to $926 million for the companies with defined benefit plans and decreased from a cost of $127 million to $103 million for the companies with defined contribution plans. Net periodic pension expense is reported in a company's cost of goods sold (stemming from overhead in the determination of product costs), in its current period income statement, and is included in the cost of product inventories in the company's balance sheet. Pension expense in defined benefit plans is not simply the amount by which the company currently funds its plan obligations; instead, pension expense is a net amount calculated by adding together five components.[24] The calculation may result in a benefit (i.e., income) and a reduction to cost of goods sold. AK Steel reported such a benefit in 2000 while Carpenter Technology, Keystone, and USS reported a benefit in each of the 3 years, 2000-2002, but the net periodic cost of the combined companies outweighed the benefit amounts these companies reported. In the same 3 years, Bethlehem Steel recorded net pension costs of $55 million, $103 million, and $150

[23] For example, Lone Star amended its plans so that new employees (hired after 1996 in the case of the largest plan and after 1998 in the case of two other plans) do not participate in the defined benefit plans. WCI instituted a defined pension plan in 1995. Commercial Metals terminated its defined benefit plan in 1997 (the plan was settled in 1998), and instituted a discretionary contribution profit sharing or savings plans (company contributions were $18 million in 2000).

[24] The annual funding of the pension or other post-employment benefit plan increases the amount of the fund's assets, but the amount is not used in the calculation of current pension cost. Net periodic pension cost is based on actuarial assumptions calculated using the following components: (1) service cost; plus (2) interest on the projected benefit obligation; minus (3) the expected return on plan assets; plus (4) amortization of unrecognized prior service cost (or minus amortization of prior service benefit); and plus (5) the effect of gains and losses that result from experience being different from that assumed, or from a change in an actuarial assumption. Gains or losses result in changes in plan assumptions; changes in the amount of plan assets; and changes in the amount of the projected benefit obligation; the net gain or loss component includes the portion of the unrecognized net gain or loss from previous periods that exceeds the greater of 10 percent of the beginning balance of the market-related value of plan assets or the projected benefit obligation, amortized over the average service life of active employees expected to receive benefits, and the difference between the expected return and actual return on plan assets.

On the other hand, defined contribution plans (which often take the form of 401(k) plans) are established to allow plan participants to contribute a percentage of their compensation, not to exceed statutory limits, and often provide for discretionary matching by the company of the participant's contribution. Participants are usually vested in full to the amount of their own contribution, but must meet length of service requirements to become fully vested in the company's contribution. The net current cost under a defined contribution plan is the company's actual payment.

million, respectively.[25] [26] The combined companies' net current cost is relatively small in relation to total net commercial sales of the defined-benefit companies, but is large in relation to those companies' combined operating income in 2000 and worsens the companies' combined operating losses in 2001 and 2002. The net current cost of the defined-contribution companies was small in relation to the combined net sales and operating incomes during 2000-02.

Data showing the funding status for their defined benefit plans also are presented in table OVERVIEW III-4. The amounts shown as funded (an asset) or unfunded (a liability shown in parentheses) represent the difference between the combined companies' actuarial present value of plan obligations and fair value of plan assets at the end of a fiscal year.[27] Adjustments to the value of plan obligations and assets are made to incorporate service and interest costs, plan amendments, gains, employer contributions, and distributions. There may be more than one account on the firm's balance sheet to recognize the pension liability; these accounts and amounts therein are not shown in the table for the combined companies,[28] which focuses instead on the funded status. The company data indicate that total plan assets exceeded total benefit obligations of the companies' combined defined pension benefit plans by $2.3 billion in 2000, but became much less than those obligations in 2001 and 2002 (by $3.0 billion and $8.0 billion, respectively). Company reports also indicate that because these plans collectively are underfunded, the amounts recognized as current and long-term liabilities or as a charge to stockholders' equity are growing. The positive funding status in 2000 is accounted for mainly by USS ($2.4 billion overfunded pension plan) and Carpenter Technology ($446.5 million overfunded pension

[25] Bethlehem Steel, 2000 Form 10-K, p. 16 (as filed) and 2002 Form 10-K, p. F-4 (as filed).

[26] Bethlehem employed an average of 14,700 employees during 2000 compared to 73,700 pensioners receiving benefits at year end 2000. The corporation's employment costs, including pensions and OPEBs, were $1.3 billion out of total operating costs of $4.3 billion in 2000. Salaries and wages accounted for $818 million of Bethlehem's employment costs compared with employee benefit costs of $513 million. Pensions and OPEBs were $55 million and $358 million in 2000, respectively. Bethlehem, 2000 Form 10-K, pp. 17 and 23 (as filed) and 2002 Form 10-K, p. F-4 (as filed). *See* discussion on OPEBs later.

[27] Actual pension payments may be based on projected salary or wage levels; the present value of plan obligations, based on service to date, actuarial assumptions, and projected salary levels is referred to as the projected benefit obligation (PBO). The present value of plan obligations using current salary or wage levels and these other assumptions is the accumulated benefit obligation (ABO). If wage or salary increases are not incorporated into the pension benefit formula, the ABO and PBO would be equal.

[28] The amounts recognized and shown in a company's balance sheet are the funded status of its defined benefit plan at year end with adjustments to incorporate unrecognized costs and actuarial gains as well as any additional minimum liability.

plan), while many of the remaining companies with defined benefit pension plans have underfunded plans. All of the companies surveyed reported that their plan assets fell between 2000 and 2001 and again between 2001 and 2002, resulting in a growing imbalance between plan assets and liabilities.

Post-employment benefits other than pensions (OPEBs) generally include health and medical benefits and life insurance plans.[29] The data show that the current cost was greater in each period than the net periodic cost of the companies' pension plans; like pension plan costs, these costs are included in COGS and in inventory. The data also indicate that the combined OPEB plans are underfunded. There are several important differences between pension plans and OPEBs. Compared with defined benefit pension plans, OPEBs generally (1) are less well funded; (2) include an uncapped benefit with high variability; (3) cover the retiree as well as a range of dependents; (4) have a benefit that is payable as needed and used; and (5) have a lower predictability of benefit utilization, which is less sure and costs of which are more difficult to predict.[30] Moreover, in contrast to pension benefits, OPEBs are not insured by the PBGC, as noted earlier.

As noted in the section 201 investigation, several steel companies in bankruptcy proceedings classified their unfunded pensions and their OPEB liabilities as "at risk." Laclede, for example, stated, "as a result of the filing under Chapter 11 on November 30, 1998, the Company is not permitted to make contributions to the pension plans related to pre-petition liabilities. Due to the size of the underfunding of the hourly and salaried pension plans, the Company expects the plans will be terminated and the pension obligations assumed by the PBGC."[31] Acme, operating under bankruptcy since 1998, also stated that it is not permitted to make contributions to its pension plans related to pre-petition liabilities without approval of the bankruptcy court, although it was not prevented from making any contributions through year end 2000; Acme stated that it has no funding requirements for 2001.[32] LTV, which filed for bankruptcy protection on December 29, 2000, stated that the bankruptcy court allowed the payment of certain employee benefits. While it stated that there will be no significant pension funding requirements before 2004,[33] nonetheless, it classified as "at risk" pension benefits of $642 million and postemployment health care and insurance benefits of $1.6 billion.[34] As noted earlier, each of these companies discharged most of their OPEB obligations in bankruptcy (see earlier discussion regarding pension plans assumed by the PBGC).

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[29] Many of the steel companies surveyed for this section reported making contributions to a Voluntary Employee Benefit Association Trust (VEBA), established January 1, 1994 for payment of health care benefits made to United Steelworkers of America retirees; funding of the trust is made as claims are submitted for payment or according to a schedule based on hours worked.

[30] Patrick R. Delaney et al. (eds), *Wiley GAAP 2002*, chap. 16, pp. 701-731.

[31] Laclede Steel Co., Item 7, Employee Benefits, 2000 Form 10-K, p. 38 (as filed).

[32] Acme Metals, Inc., 2000 Form 10-K405, p. 52 (as filed).

[33] LTV Corp., 2000 Form 10-K405, p. 62 (as filed).

[34] Ibid., p. 58 (as filed).

RECENT COLLECTIVE BARGAINING AGREEMENTS AND RELATED ACTIVITIES

The principal union representing steelworkers in the United States is the United Steelworkers of America (USWA). The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), and several independent unions, such as the Independent Steelworkers Union (ISU) represent fewer workers in the steel industries subject to the safeguard measures. Since March 2000, most labor agreements have been made by USWA.

In September 2002, at its Basic Steel Industry Conference (BISC), the USWA adopted a new set of principles to secure labor agreements that, according to the USWA, would save jobs in the steel industry and maintain or enhance living standards of its members and retirees while aiding U.S. steel producers to recover from bankruptcy and become successful.[35] The BISC bargaining principles include: (1) company pursuit of financial viability; (2) streamlined and simplified operating procedures, with fewer supervisors, protected worker seniority, safety, and with USWA workers; (3) preservation of existing levels of wages and benefits; (4) preservation of pension benefits; (5) a greater role by the USWA in company activities; (6) profit sharing; (7) obligations by the companies to make appropriate capital expenditures and restrictions on company owner and executive compensation at the expense of workers; and, (8) medical care for retirees to the extent possible.[36]

Because the USWA pursues a "pattern bargaining" approach,[37] the BISC principles were the basis of recent agreements that were concluded in 2003 with ISG, U.S. Steel, and Wheeling-Pittsburgh Steel.[38] In January 2003, an agreement was reached between USWA workers and ISG, which had purchased the assets of LTV and proposed buying other steel companies in bankruptcy. The plan provides for a benefit trust to provide for funding of health-care for retirees of predecessor companies.[39] That agreement allows for a significant reduction in employee and retiree healthcare expenses through a variable cost sharing mechanism, and provides for early retirement incentives. The contract also provides for profit sharing from significant productivity gains. A similar labor contract was concluded in April 2003 between USWA workers and U.S. Steel.[40] When ratified, the contract would expire in September 2008. In June 2003, the USWA ratified an agreement with ISG for steelworkers at the former Bethlehem Steel facilities. The agreement, which expires in September 2008, includes provisions for pension benefits under a defined benefit plan and a fund to provide health care for retirees of Bethlehem Steel, together with profit-sharing and labor productivity arrangements.[41] In July 2003, the USWA

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[35] *See* posthearing brief of USWA, p. 3. *See also* USWA, press release, "USWA Launches New Bargaining Initiatives Aimed At Saving Steel Jobs and Securing Member and Retiree Living Standards," September 20, 2002, found at *http://www.uswa.com*, retrieved August 27, 2003.

[36] Posthearing brief of USWA, exh. 2.

[37] Pattern bargaining is used by unions to obtain similar labor agreements covering its members within an industry.

[38] The USWA is not represented at Nucor, Rouge Steel, or Weirton Steel. *See*, posthearing brief of USWA, p. 17.

[39] USWA, press release, "Steelworkers' Tentative Agreement with ISG Will Fund Health-Care Relief for LTV, Acme Retirees," January 29, 2003, found at *http://www.uswa.com*, retrieved August 27, 2003.

[40] U.S. Steel Corp., press release, "U.S. Steel and USWA Reach Progressive New Labor Agreement for U.S. Steel and National Steel Represented Facilities," April 9, 2003, found at *http://www.ussteel.com*, retrieved August 27, 2003.

[41] USWA, press release, "Steelworkers at Former Bethlehem Facilities Overwhelmingly Ratify Agreement with New Owners, International Steel Group (ISG)," June 16, 2003, found at *http://www.uswa.com*, retrieved August 27, 2003.

approved a 5-year agreement with Wheeling-Pittsburgh Steel.[42] The agreement satisfied one of several conditions set by the Emergency Loan Guarantee Board for a U.S. government loan guarantee for the company, and was one reason that Wheeling-Pittsburgh Steel successfully emerged from bankruptcy in August 2003 (discussed later). The agreement includes provisions to allow workers with 30 years of service to retire with full pensions before age 62 and employee profit sharing.[43]

These collective bargaining agreements are discussed in detail in chapter 2 (Carbon and Alloy Flat Steel) part IV. Additional discussion of these agreements as they relate to non-flat steel products appears in chapters 3, 4, and 5.

TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

U.S. workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports may seek assistance under the Trade Adjustment Assistance (TAA) program established under the Trade Act of 1974.[44] The TAA program provides for (1) training services for employment in another job or career; (2) income support; (3) job search allowance; and/or (4) relocation allowances. Workers certified by the TAA program may receive up to 104 weeks of approved training services, which are provided by certified state agencies. Income support, known as trade readjustment allowances (TRA) are weekly cash payments available for 52 weeks after a worker's unemployment compensation benefit is exhausted and during which a worker is participating in an approved full-time training program. As a result, a worker may receive income support for a total of 78 weeks: 26 weeks of unemployment compensation and 52 weeks of TRA.[45]

In 1994, a NAFTA-TAA program was established to assist workers that were affected by the North American Free Trade Agreement. In August 2002, the Trade Adjustment Assistance Reform Act of 2002 was signed into law, and reauthorized the TAA program through September 30, 2008.[46] Under the Act, the NAFTA-TAA program was repealed and consolidated in the TAA program. The Act also increased benefit levels and provided tax credits for health insurance coverage assistance, as well as increases the timeliness for the receipt of benefits and training. Further, under the Act, the Alternative Trade Adjustment Assistance (ATAA) program for older workers was created to provide a wage subsidy for eligible persons over age 50 to assist in bridging the salary gap between old and new employment.[47] Coverage of the TAA program was expanded to include affected secondary workers, such as those in downstream producing companies performing value-added production processes or of suppliers of component parts to an affected company.

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[42] USWA, press release, "Steelworkers at Wheeling-Pitt Approve 5-year Agreement," July 30, 2002, found at *http://www.uswa.com*, retrieved August 27, 2003.

[43] USWA, press release, "USWA Tentative Agreement "First Step" Toward Saving Wheeling-Pittsburgh Steel," September 13, 2001, found at *http://www.uswa.com*, retrieved August 27, 2003.

[44] 19 U.S.C. 2271 et. seq., P.L. 93-618, as amended.

[45] *See* U.S. Department of Labor (DOL), Employment and Training Administration (ETA), "Trade Adjustment Assistance," found at *http://www.doleta.gov/programs/factsht/taa.cfm*, retrieved September 10, 2003.

[46] *See* Public Law 107-210, 116 Stat. 935, August 6, 2002.

[47] *See* DOL, ETA, "Trade Adjustment Assistance Reform Act of 2002," found at *http://www.doleta.gov/tradeact/2002act_index.cfm*, retrieved September 10, 2003.

According to data from the U.S. Department of Labor, Employment and Training Administration (ETA), for the U.S. steel industry overall,[48] the number of TAA petitions, excluding NAFTA-TAA petitions, both certified and denied, peaked in the period before the implementation of the safeguard measures, as shown in the following tabulation:

Period	Certified	Denied
April 2000-March 2001	15	11
April 2001-March 2002	88	33
April 2002-March 2003	38	23
April 2003-August 2003	24	19

Since each petition is for workers at a particular location, there may be a number of petitions related to a company that has multiple locations with affected workers. For example, during April 2001-March 2002, there were 16 petitions filed by workers of Republic Industries, and for LTV Corp. there were 9 petitions.

Since April 2000, for the steel industry, there were 35 petitions under NAFTA-TAA, 12 certifications and 23 denials. Seven certifications were before the implementation of the steel safeguard measures and 5 certifications since. Petitions were filed by workers, companies employing the workers, or unions, including the United Steelworkers of America. Data on the number of persons associated with these certifications are not available as the ETA does not publicly provide those data.

[48] Data are from U.S. Department of Labor, Employment and Training Administration, Trade Act Programs: Petition Determinations, found at *http://www.doleta.gov/tradeact/determinations.cfm* for Standard Industrial Classification industries: 3312, Steel Works, Blast Furnaces (Including Coke Ovens), and Rolling Mills; 3315 Steel Wiredrawing and Steel Nails and Spikes; 3316, Cold-Rolled Steel Sheet, Strip, and Bars; and 3317, Steel Pipe and Tubes.

Data on TAA petitions were also presented in the posthearing brief of the USWA, on flat products, p. 22, and exhibit 3; and posthearing brief of U.S. Steel, pp. C-1and C-2, and exh. 31.

PRICING

Publicly available pricing series for steel products are available for only a limited number of steel products (figure OVERVIEW III-10 and figure OVERVIEW III-11). The data are based on information collected from purchasing managers and represent average transaction prices for the product.

DISTRIBUTION TRENDS

Importers and Channels of Distribution

U.S. steel production is either internally consumed by steel producers or their subsidiaries, or sold to converters, processors,[49] distributors, service centers,[50] or end users. Some U.S. companies will convert purchased steel, such as hot-rolled or cold-rolled steel, into other steel mill products, such as corrosion-resistant steel or pipe and tube. Stainless steel bar has another layer of distribution, "master distributors," which purchase primarily from U.S. importers because of their affiliations with foreign mills and resell principally to regional service centers and not directly to end users.

Reported U.S. shipments to steel service centers and distributors accounted for 26.4 percent of total net U.S. shipments of steel mill products based on tonnage in 1999 and 27.5 percent in 2002.[51] In contrast, steel for converting or processing accounted for 10.4 percent of net U.S. shipments of steel mill products in 2001. Including U.S. imports, steel service centers distribute over one-half of certain steel products consumed in the United States, such as major carbon and stainless steel products.[52] In many product areas, the majority of U.S. imports are shipped to distributors, processors, or service centers, as opposed to end users, including original equipment manufacturers (OEMs).[53]

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[49] Processors fill a market niche that exists between the primary steel producers and end-users, performing various value-added operations. Intermediate processing operations include a variety of activities, such as slitting, cutting-to-length, pickling and oiling, edge trimming, leveling, painting, blanking, and so forth. Processors may either purchase the steel, process and then resell it, or perform these services for a fee (a toll) and not take title to the steel being processed.

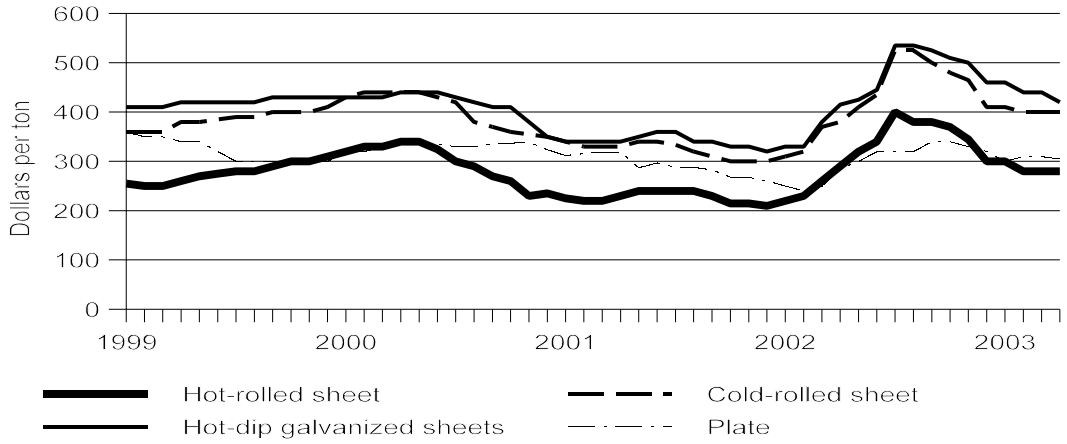
[50] U.S. service centers serve as distributors and processors not only of steel, but of other metals, such as aluminum, copper, bronze, and brass. Many service centers maintain extensive inventories of a variety of steel products which they own and resell, thus providing availability and inventory management services for customers of all sizes, including those with smaller purchasing needs that must place low-volume orders. Increasingly, service centers perform a wide range of value-added processing, such as uncoiling, flattening, and cutting products to length, for their customers.

[51] AISI, *Annual Statistical Report, 2002*, table 11, "Net Shipments of Steel Mill Products by Market Classifications, All Grades," pp. 30-31. During 1999-2002, between 9.7 percent and 11.7 percent of net shipments were classified by AISI as nonclassified shipments, and it is possible that some of these shipments were to steel service centers and distributors.

[52] Steel Service Center Institute (SSCI), "Statement of The Steel Service Center Institute Before The Congressional Steel Caucus," March 21, 2001, found at Internet address *http://www.ssci.org/final_causcus.adp*, retrieved August 15, 2001.

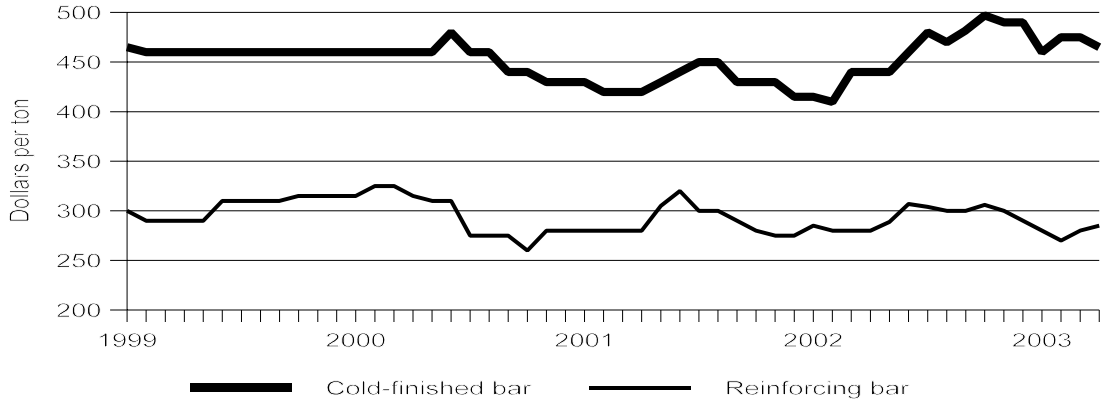
[53] Based upon review of numerous Commission antidumping and countervailing duty investigation reports.

Figure OVERVIEW III-10
Steel: Flat-rolled carbon steel transaction prices, monthly, January 1999-April 2003



Source: *Purchasing Magazine.*

Figure OVERVIEW III-11
Steel: Carbon steel long products transaction prices, monthly, January 1999-April 2003



Source: *Purchasing Magazine.*

U.S. steel producers generally do not own and are not financially linked to processors or service centers,[54] with the major exception of U.S. Steel Corp.'s Straightline Source, an online company started in October 2001 that competes in e-commerce and distribution.[55] Only two U.S. steel companies, producers of stainless steel, specialty alloys, and other metals, own U.S. service centers.[56] In contrast, foreign steel producers, particularly those in Europe, tend to control a greater share of service centers and other channels of distribution in their home markets. There is also a significant European, South African, and Canadian foreign ownership presence in the U.S. service center industry. These firms are notably among the largest service centers in the United States.[57]

The U.S. metals distribution industry, including steel service centers, consists of approximately 1,300 companies operating at more than 3,500 locations.[58] During 1996-2002, at least 155 acquisitions were made by service centers in the United States and Canada.[59] In late 2001 and 2002, a major service center entered and exited bankruptcy and a leading service center was formed out of the merger of two

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[54] SSCI, "Statement of Robert J. Carragher on Behalf of the Steel Service Center Institute before the Organization for Economic Co-Operation and Development," Paris, France, November 30, 2000, found at Internet address *http://www.ssci.org/oecd_statement.adp*, retrieved August 16, 2001.

[55] U.S. Steel Corp., the largest U.S. steelmaker, launched Straightline Source in October 2001, stating that Straightline was the "first steel distribution business created to serve customers of all sizes who do not typically buy directly from steel producers." Straightline Source is an e-business (i.e., an electronic business based around the Internet) that provides customers with processed steel through the processing capacity of a network of qualified partners (such as processors and steel service centers), with transportation to the customer managed by a third party logistics company. Initially, Straightline Source specialized in providing carbon flat-rolled steel. The company began its business regionally, and by the end of 2002, provided service to more than 700 customers in 34 states east of the Rocky Mountains. In 2003, Straightline plans to provide service in the western United States and also to expand its product offerings to include galvalume, galvaneal, and aluminized products.

Straightline Source had operating losses of $18 million in the second quarter of 2003, and $33 million for the first six months of 2003, $41 million in 2002, and $17 million in 2001. *See* U.S. Steel Corp., press release, "United States Steel Launches Straigthline–A New Steel Distribution Business," October 30, 2001, found at *http://www.prnewswire.com*, retrieved January 30, 2003; U.S. Steel, LLC, press release, "Straightline Unveils 2003 Expansion Plans," December 18, 2002, found at *http://www.prnewswire.com*, retrieved January 30, 2003; U.S. Steel Corp., *Form 10-K*, March 10, 2003, and *Form 10-Q*, May 13, 2003, found at *http://www.sec.gov*, retrieved June 4, 2003; and U.S. Steel Corp., *Form 10-Q*, August 13, 2003, found at *http://www.sec.gov*, retrieved August 27, 2003.

[56] Carpenter Technology Corp. and Crucible Materials Corp.

[57] For example, Thyssen Inc. (North America), wholly owned by Thyssen Krupp AG of Germany, ranks second, with sales of $1.9 billion (including products and services other than steel or steel-related) in 2002, among the top 100 metal service centers in the United States and several European steel producers either operate service centers or have U.S. service centers as subsidiaries. These include Namasco Corp., with sales of $789 million in 2002, which is owned by Klockner AG of Germany, and Preussag North American, Inc. with sales of $698 million in 2002, which is owned by Preussag AG of Germany. ARBED Americas, Inc., owned by Arbed Group of Luxembourg, owns several distributors and fabricators of steel products.

Eighth-ranked MacSteel Service Centers USA, with sales of $1.0 billion in 2002, is owned by MacSteel Holdings of South Africa, a global metals trader and distributor. Canadian service center firms have invested in numerous facilities in the United States. For example, Samuel, Son & Co. ranked sixth with sales of slightly more than $1 billion in 2002, has 29 service centers in the United States, as well as a steel processing facility. *See* Tom Stundza, *Purchasing Magazine Online*, "Suppliers must boost service to buyers," May 1, 2003, found at *http://www.manufacturing.net/pur*, retrieved June 3, 2003.

[58] Tom Stundza, *Purchasing Magazine Online*, "Suppliers must boost service to buyers," May 1, 2003, found at *http://www.manufacturing.net/pur*, retrieved June 3, 2003.

[59] Compiled from various trade magazines, newspapers, company Internet sites, and financial filings with the U.S. Securities and Exchange Commission.

companies.[60] Many service centers have pursued acquisitions or constructed new facilities in order to expand into geographical markets where they did not have a presence, to enhance their ability to service national accounts, to broaden fabrication and processing capability, or to expand their product line. Service center firms also have increased their size by constructing new facilities to expand into geographical markets and service national accounts.

Growth in the service center industry has been driven by the requirements of the manufacturing industry for further processing of metals prior to the production of parts and components. This trend has also resulted in an expanding toll/contract processor industry, thereby eliminating processing operations at some OEMs. However, the service center customer base has also been consolidating. In 1999, a new development took place in the distribution channel for the automotive market when General Motors' Regional Steel Distribution Center in Holt, MI,[61] streamlined its supply chain by maintaining steel inventories and performing processing in-house, rather than contracting with toll processors.[62]

Importers of steel tend to be the foreign steel companies or their steel trading subsidiaries, Japanese trading companies, international metals trading companies, U.S. service centers, U.S. steel producers, or U.S. end users. The volume of imports shipped to distributors, service centers, and end users varies greatly by type of product (e.g., carbon versus stainless, flat-rolled versus long products); the degree of value-added, such as hot-rolled versus corrosion-resistant steel); the market (OEM or replacement); and the supplier country.[63]

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[60] Prior to the implementation of the steel safeguard measures, Metals USA, which ranked fourth among North American service centers in 2000 with sales of $2.1 billion, filed for bankruptcy in November 2001 because of high debt due to acquisitions made prior to 2000 and declines in U.S. steel consumption and steel prices. *See* Metals USA, Inc., SEC Form 10-K, for fiscal year ending December 31, 2002, filed March 28, 2003, found at http://www.sec.gov, retrieved June 4, 2003. After the implementation of the steel safeguard measures, Metals USA sold some assets and emerged from bankruptcy in October 2002. Integris Metals, which ranked fourth among North American service centers in 2002 with sales of $1.5 billion, was formed in November 2001, when Alcoa, a large U.S. aluminum producer, merged its subsidiary Reynolds Aluminum Supply Company, with BHP Billiton's Vincent Metal Goods and Atlas Ideal Metals. Alcoa and BHP Billiton each own 50 percent of Integris. The company employs approximately 3,000 persons in 60 locations in the United States and Canada. Integris supplies aluminum, stainless steel, alloy steel, brass/copper, building products, carbon steel, and nickel alloys. *See* Integris Metals, Fact Sheet, found at *http://www.integrismetals.com/i_fact.html*, retrieved January 24, 2003. In August 2003, Russel Metals Inc. of Canada, purchased Leroux Steel Inc., also of Canada, to form a large service center company in North America. Aside from locations in Canada, Russel Metals currently has 9 service center locations in the United States.

[61] RSDC is a 50/50 joint venture between Kasle Steel Corporation and Itochu Corp. of Japan. RSDC in turn sells services to GM.

[62] Tom Bagsarian, Metal Center News Online, "RSDC Delivers," August 2001, found at Internet address *http://www.metalcenternews.com/2001/Aug01/mcn0108f4rsdc.htm*, retrieved August 6, 2001.

[63] For example, in 1999, a majority of imports of hot-rolled steel from Argentina, China, India, Indonesia, Kazakhstan, the Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine were to distributors, processors, and service centers. *See* U.S. International Trade Commission, *Hot-Rolled Steel Products From Argentina, China, India, Indonesia, Kazakhstan, Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine* (investigations Nos. 701-TA-404-408 (Preliminary) and 731-TA-898-908 (Preliminary)), USITC Publication 3381, January 2001, p. I-9.

E-COMMERCE

The nature of the role of E-commerce in the steel industry has changed considerably over the past several years.[64] As originally conceived by some in the steel industry, business-to-business E-commerce would affect the entire nature of the steel industry, from the procurement of raw materials to the production of steel and to the selling of finished steel products, through operation of a public exchange for steel products.[65] The primary benefit promised by the creation of such an electronic network, featuring auctions and reverse auctions of steel products, was cost reduction resulting from price transparency and reductions of inventories. Allowing information on pricing to be determined on a public site, rather than in secret by steel trading intermediaries such as trading companies and brokers would lead to reduced price volatility and lower transaction costs related to the buying and selling of steel. Inventories would be reduced as steel suppliers established electronic links between their production systems and their customers. In addition to lowered costs and reduced inventories, creation of a public exchange promised to expand the universe of potential customers by allowing information on steel to be made available in a public forum.

In actual practice, E-commerce in steel has evolved somewhat differently from the original model.[66] Some of the reasons advanced by steel producers for the limited success,[67] thus far, of public steel exchange web sites include:[68]

- a public exchange is often not appropriate for an engineered product such as steel, which must be processed to achieve certain physical properties required to meet a particular specification;

- steel producers have been largely reluctant to participate in public steel exchanges because they feel that such exchanges tend to favor buyers of steel at the expense of sellers as sellers are encouraged to compete against each other to satisfy a bid;

- unlike other markets where potential customers for a product appear to be unlimited, the number of participants in the relevant steel markets tends to be small and most suppliers are already aware of the entire universe of possible users of the product; and

- the steel industry has thus far appeared unwilling to accept the transaction fees associated with public exchange sales.

Prior to the implementation of the safeguards, two major public on-line exchanges were created.

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[64] *See* previous section for a discussion of U.S. Steel Corp.'s Straightline Source involvement in E-commerce.

[65] Scott Robertson, "Key Role Seen for E-commerce in Steel," *American Metal Market*, March 22, 2000, at *http://www.amm.com/SUSCRIB/2000/Mar/special/0322-1.htm.*

[66] By the end of 2001, a number of the original public steel trading exchanges had ceased operations while other public exchange companies, including E-Steel, Core Markets, and Metal Suppliers Online, had decided to supplement the public exchange side of their business by designing E-Commerce supply management platforms for steel companies.

[67] Thus far, less than 1 percent of all steel traded is traded on public E-commerce web sites.

[68] Leading U.S. steel producers, telephone interviews by USITC staff, March-July 2003.

In May 2001, Global Steel Exchange (GSX),[69] began operations and sold its 1 millionth metric ton of steel by September of that year.[70] GSX differed from earlier attempts at public steel exchanges in that it targeted the international, rather than a regional or national, market for steel.

In the fourth quarter of 2000, Enron Corp. began buying and selling hot-rolled and cold-rolled carbon steel and some galvanized steel products using an on-line bid and offer process.[71] In Enron's steel trading operations, domestic steel mills accounted for less than 50 percent of Enron's purchases with much of the remaining steel coming from service centers with excess inventories. Unlike earlier attempts at establishing an on-line exchange of steel, Enron acted as a principal in the transaction, buying steel for its own account, providing storage in various company-owned regional warehouses, selling the steel to customers, and profiting from the spread between the two prices. In addition to trading physical steel, Enron also bought and sold steel financial futures contracts on-line, allowing producers and customers to hedge against the risks of steel price volatility through the trading of financial futures contracts.[72] Enron's involvement in on-line steel trading ended when the company filed for bankruptcy protection in December 2001.

After the implementation of the steel safeguard measures, in May 2002, GSX decided to close its operations after failing to agree on an arrangement for continued funding from its founding members. In July 2002 Management Science Associates Inc. (MSA), the parent of MetalSite, purchased the assets of GSX in order to apply GSX technology and client lists to help set up its version of a public steel exchange--a request-for-quote (RFQ) system to enable users to create and post-RFQs reflecting their steel needs.[73] At present, remaining known public on-line steel trading exchanges include Metal-Site, Inc., Steel Spider, and Metal Supplier Online.

The Growth of Private Marketplace Exchanges

Due to a general lack of satisfaction with public marketplace exchanges, the trend in the steel industry in recent years has been moving to the creation of private steel exchanges on company web sites as many of the major integrated and nonintegrated U.S. steel companies have established, or are in the process of establishing such exchanges. An on-line private exchange differs significantly from a public exchange in that a private exchange is maintained by a single company with a select group of suppliers and customers that are regulated by the owner of the exchange. In addition, private exchanges can be tailored to serve specific projects and customers, unlike public exchanges, which are generic in nature in

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[69] The four founding members of GSX are Cargill Steel (U.S.), Duferco (Switzerland), Samsung (S. Korea), and TradeArbed (Luxembourg). GSX trades more than 50 steel products, ranging from raw products to finished steel.

[70] *American Metal Market*, "GSX E-Site Logs Sale of 1 Millionth Tonne," September 18, 2001, p. 3.

[71] The effort by Enron was considered important by steel observers due to Enron's past success in trading other non-steel commodities and its perceived financial strength at the time as it built upon Enron's EnronOnline, an electronic transaction platform offering real-time pricing information for approximately 850 commodities that began in November 1999. Commodities initially traded on EnronOnline included electricity, natural gas, coal, pulp and paper, clean air credits, bandwidth, weather and credit derivatives, petrochemicals and plastics, and oil and refined products.

[72] According to Enron Corp., the advantages of its electronic trading platform were improved price transparency and competition, increased liquidity, management of price volatility, increased transaction efficiency and reduced transaction costs, and convenience. (E-mail from Enron Corp., received August 28, 2001.)

[73] MSA's RFQ system supplements its other businesses, including the creation of supply management software systems for steel companies. *See* "MSA Buys Assets of Global Steel Exchange," MSA MetalSite website, retrieved May 29, 2003, at *http://www.metalsite.net/metalsite_is/Press_room/article.cfm?i=240*.

order to accommodate all users.[74] As presently constituted, private exchanges permit customers to enter orders, check order status, obtain chemical analysis information, and acquire information on delivery of the product, thereby eliminating or reducing many of the costs associated with the administration of these functions. Material typically is traded through a bidding process. A customer will bid on material listed on the exchange and is notified through the exchange if it has been awarded the material. The customer can then submit a purchase order via e-mail or facsmilie.

A principal advantage of a private exchange is that it does not force participants to give up sensitive information to competitors or to suppliers serving those competitors, while the earlier public exchanges encountered resistance because they required the public sharing of price information.[75] By encouraging suppliers and customers to exchange information on a secure site, a private exchange gives suppliers a more accurate picture of customer needs, allowing manufacturers to tailor production cycles to better match customer demand requirements, resulting in reduced inventories, better management of distribution channels, and reduced transaction time and costs. Another advantage of a private electronic exchange is that it permits aggregation of transactions when a customer orders a variety of products from a company with multiple product lines or when a supplier sells to different divisions of a company, resulting in cost and time savings.[76] U.S. steel producers contacted by the Commission indicated that up to 6 percent of total steel sales were made through company web sites.

GOVERNMENT PROGRAMS (FEDERAL, STATE, AND LOCAL)

Within the United States**,** there has been government support for the steel industry at the federal, state, and local levels. Recent programs have included monitoring, loan guarantees, community assistance, and research and development (R&D) assistance.[77]

Steel Action Plan

The Steel Action Plan of January 1999 featured a steel import monitoring program designed to identify sudden price declines or import increases, and included monthly steel import data released by the Department of Commerce. The program was set up in August 1999, and led to bilateral consultations with Korea and Japan and a steel agreement with Russia that set annual quotas on imports of Russian steel products.[78]

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[74] Pimm Fox, "Private Exchanges Drive B2B Success," *Computerworld*, May 7, 2001, at *http://www.itworld.com/Tech/3478/CWD010507ST*.

[75] Jennifer Caplan, "Private Exchanges Reinvent B2B: Private E-Marketplaces May Improve upon the Model Created by Public B2B Sites," *CFO.com*, April 2, 2001, at *http://www.cfo.com/pr...1,4580,87%7C88% 7CAD%7C2484,00.html*.

[76] Jennifer Caplan, "Private Exchanges Reinvent B2B: Private E-Marketplaces May Improve upon the Model Created by Public B2B Sites," *CFO.com*, April 2, 2001, at *http://www.cfo.com/pr...1,4580,87%7C88% 7CAD% 7C2484,00.html*.

[77] *See* the Department of Energy, Office of Industrial Technologies Industrial Project Locator at *http://iplocator.y12.doe.gov/IPLocator/Scripts/Frameset.cfm?NoVar=Emptyv* for more information on such projects.

[78] International Trade Administration (ITA), U.S. Department of Commerce (DOC), *Global Steel Trade: Structural Problems and Future Solutions,* July 2000, p. 112.

Emergency Steel and Oil and Gas Loan Guarantee Program

This temporary steel loan guarantee program was designed to assist steel companies that are unable to obtain loans in the private sector.[79] It is administered by the Emergency Loan Guarantee Board and provides guaranteed loans of up to $250 million to a single company,[80] with the total amount outstanding not to exceed $1 billion.[81] The loans must be repaid by year-end 2015. The authority of the Loan Guarantee Board to make commitments to guarantee any loan under the Emergency Steel Loan Guarantee Program will expire on December 31, 2003. Currently, proposed legislation H.R. 2881, introduced in June 2003, would reauthorize the program, raising the outstanding loan guarantee limit to $2 billion, and extend the program to December 31, 2005.

As of August 2003, only three steel producers had received loans. Several companies that had been approved for loan guarantees subsequently into bankruptcy protection or ceased operations prior to the issuance of the loans.[82] In June 2000, Geneva Steel received a loan guarantee and a loan in June 2000, but the company ceased operations in November 2001 and filed for bankruptcy in January 2002.[83] In March 2002, Hanna Steel, a steel tubing and prepainted coil manufacturer in Birmingham, AL, received a $42.5 million loan guarantee.[84] In March 2003, Wheeling-Pittsburgh Steel Corp. received a loan guarantee for $250 million.[85] In late June 2003, Weirton Steel applied for a $175 million loan guarantee, although that company had entered bankruptcy in May 2003.

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[79] Authority for this program is contained in P.L. 106-51; U.S.C. 15, Chapter 45, "Emergency Steel Loan Guarantee Act of 1999 and Emergency Oil and Gas Guaranteed Loan Program Act."

[80] No more than $100 million will be provided to a company at one time. Sec. 336 Modification to Steel Loan Guarantee Program (Public Law 106-51; 15 U.S.C. 1841 note).

[81] "Emergency Steel Loan Guarantee Board Loan Guarantee Program," General Accounting Office Briefing for the Staff of the Senate Committee on Commerce, Science, and Transportation, May 1, 2001.

[82] Other producers of steel subject to the steel safeguard measures that received loan guarantee approvals but to which funds were not disbursed were Acme Steel Co., CSC Ltd., Northwestern Steel and Wire Co., and Wheeling-Pittsburgh Steel Corp. (withdrew request).

[83] On February 1, 1999, Geneva Steel Co. filed for bankruptcy under chapter 11 of the U.S. Bankruptcy Code. On January 31, 2000, the company applied for a loan guarantee under the Emergency Steel Loan Guarantee Program. The Board extended the guarantee offer to Citicorp USA for the term loan on June 30, 2000. The guarantee was for an 85-percent guarantee of a $110 million term loan. Geneva Steel emerged from bankruptcy on December 31, 2000. Geneva Steel entered into a term loan agreement with Citicorp USA, Inc. for the $110 million loan 85-percent guaranteed by the Board on January 3, 2001. On November 14, 2001, Geneva Steel shut down operations. Geneva Steel filed for bankruptcy on January 25, 2002, and Geneva Steel's parent filed for bankruptcy on September 13, 2002. *See* Geneva Steel Co., *Form 10-Q*, for the quarter ending June 30, 2000, filed with the SEC on August 14, 2000. *See* Geneva Steel Holdings Corp., *Form 10-K/A*, filed with the SEC on August 30, 2001. *See* Geneva Steel Holdings Corp., *Form 10-Q*, for the quarter ending September 30, 2001, dated November 16, 2002, filed with the SEC November 19, 2001. *See* Geneva Steel Holdings Corp., *Form 8-K*, filed with the SEC February 5, 2002, and Form 8-K, filed with the SEC September 20, 2002.

[84] Nancy E. Kelly, AMM.com, "Hanna Steel Getting Steel Loan Guarantee," March 29, 2002, found at *http://www.amm.com/subscrib/2002/mar/inside4/0329st05.htm*, retrieved August 28, 2003.

[85] *Emergency Steel Loan Guarantee Board Approves $250 Million Loan Guarantee*, March 26, 2003, found at *http://209.101.155.2/public.nsf/docs/1999-lgb-press-releases*, retrieved May 22, 2003. In 2000, Wheeling-Pittsburgh Steel Corp. had been approved for a $35 million loan guarantee, but the company withdrew its request in the months before it filed for bankruptcy in November 2000. *See* Wheeling-Pittsburgh Steel Corp., press release, "Executive Director of Emergency Steel Loan Guarantee Board to Visit Wheeling-Pittsburgh Steel Facilities," June 11, 2001, found at *http://www.wpsc.com*, retrieved August 26, 2003.

The Steel and Aluminum Energy Conservation and Technology Competitiveness Act of 1988

This Act,[86] also known as the Metals Initiative, helped finance research and development in the steel industry and is administered by the U.S. Department of Energy (DOE). In 1995, DOE's Office of Industrial Technologies (OIT) and leading U.S. steel producers joined together to form a strategic partnership under OIT's "Industries of the Future" program. Through this ongoing R&D program, OIT awards cost-share funding for R&D projects to address industry-defined priorities as well as national goals for energy and the environment.[87]

State and Local Programs

Table OVERVIEW III-6 describes recent state and local programs within the United States that assist the steel industry. The extent of state and local programs was limited, both before the implementation of the steel safeguard measures in 2001 and also after implementation, with no programs being initiated in 2002, and two starting in 2003.

Table OVERVIEW III-6
State and local programs concerning steel, 1999-2003

State	Year	Description of program	Approximate value
Illinois	2000	Industrial revenue bond issued on behalf of Unimast for building and equipment	3.5 million
Indiana	2000	Steel Dynamics Whitley County was given a package from EDGE (Economic Development for a Growing Economy), Training 2000, the Industrial Development Loan Fund, and a stripper well overcharge rebate from the U.S. Department of Energy	$9 billion
Indiana	2000	Tax incentives including 10 years of tax abatement and a state-guaranteed bond issued on behalf of Steel Dynamics in Butler	$96 million
Minnesota	1998-99	Loan, state bond issue, and 20-year property tax abatement granted to Minnesota Iron and Steel, Nashwauk	$80 million
Ohio	2003	Low-interest loan to Republic Engineered Products LLC	$5 million
Ohio	2000	10-year tax abatement for renovations and construction to Worthington Industries, Columbus	$1.29 million
Texas	1999	10-year property tax abatement package granted to Nucor	([1])
Utah	1999	Tax breaks authorized for Geneva Steel and Nucor	$660,000
West Virginia	2001	Grant to Wheeling-Pittsburgh Tax to complete construction of a paint line at its Beech Bottom, WV, plant	$400,000
West Virginia	2003	Loans and loan insurance to Wheeling-Pittsburgh Steel Corp. to build an electric arc furnace and retire debt	$110 million

[1] Not available.

Source: Economic, industry, and trade literature; *Paying the Price for Big Steel*, American Institute for International Steel (AIIS), 2000, and steel company press releases.

[86] U.S.C. Title 15, Chapter 77.

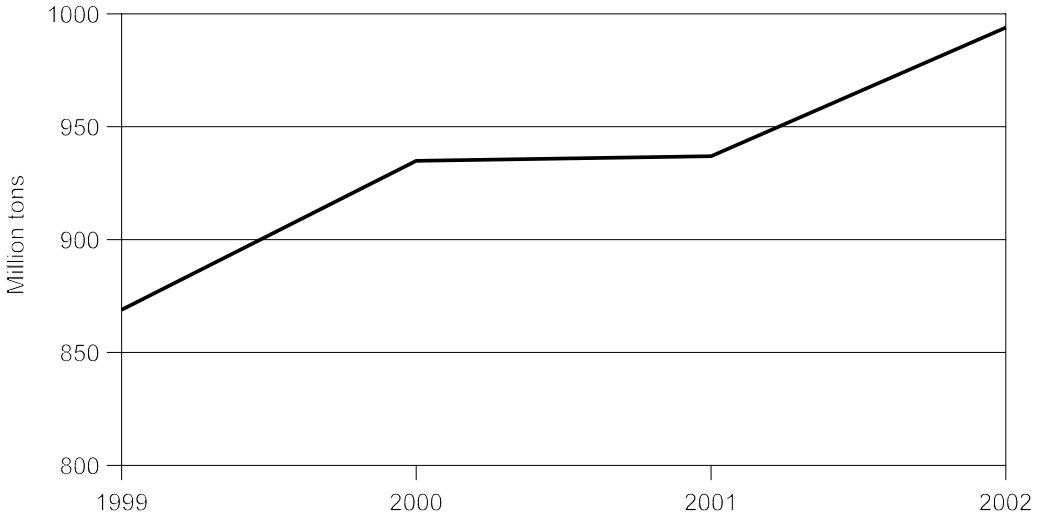
[87] *See* DOE OIT's list of current projects for steel research and development (R&D) at its internet site *http://www.oit.doe.gov/steel*.

PART IV: GLOBAL DEVELOPMENTS (1999-2002)[1]

GLOBAL PRODUCTION, CAPACITY, AND EMPLOYMENT TRENDS

Between 1999 and 2002, world crude steel production increased by 14 percent, from 869 to 995 million short tons (tons) per year (figure OVERVIEW IV-1).[2] From 1999 to 2002, world crude steel production increased by an average of 4.6 percent each year, with a significant increase between 1999 and 2000, but almost no growth between 2000 and 2001. Production rose again between 2001 and 2002. During 1999-2002, much of the increase in world crude steel production was due to rising production in China (up by almost 47 percent), Japan (up by 14 percent), and the republics of the former Soviet Union (up almost 17 percent). During the same period, crude steel production in the European Union (EU) rose by 2 percent, while such production in North America declined by 5 percent (for the United States, a 5-percent decline, for Canada an almost 8-percent decline, for Mexico a 1-percent decline). For the first 3 months of 2003, world crude steel production was 250 million tons, almost 6 percent higher than during the comparable period in 2002.[3]

Figure OVERVIEW IV-1
World crude steel production, 1999-2002



Source: International Iron and Steel Institute, *World Steel in Figures*, 2003 and previous years.

[1] This section is based on information presented in the Commission's section 201 steel report, and has been updated to reflect changes since October 2001. *See*, *Steel*, Inv. No. TA-201-73, USITC Pub. 3479, December 2001. The information in this section has been

[2] International Iron and Steel Institute (IISI), *World Steel in Figures*, 2003 and earlier editions. IISI data are in metric tons, and were converted to short tons using .907 metric ton = 1 short ton.

[3] IISI, "Monthly Crude Steel Production," *IISI 102*, May 19, 2003.

As indicated in table OVERVIEW IV-1, in both 1999 and 2002, China, the EU, Japan, the republics of the former Soviet Union, and the United States accounted for 70.7 percent of world production in 1999 and 71 percent of world crude steel production in 2002 .

Table OVERVIEW IV-1
Steel: Shares of world crude steel production, by selected sources, 1999 and 2002

Source	Share of world production in 1999	Share of world production in 2002
	Percent	
China	15.7	20.1
EU	19.7	17.6
Japan	11.9	11.9
Former republics of the USSR[1]	11.0	11.2
United States	12.4	10.2

[1] Data for 1999 and 2002 are for Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Ukraine, and Uzbekistan.

Source: International Iron and Steel Institute, *World Steel in Figures,* 2003 and 2000 editions.

China's share of world production increased from less than 16 percent in 1999 to more than 20 percent in 2002. The EU's share declined from almost 20 percent to slightly less than 18 percent. The shares accounted for by Japan and republics of the former Soviet Union (Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Ukraine, and Uzbekistan) remained virtually unchanged. The U.S. share declined from more than 12 percent to just over 10 percent, largely due to an 11-percent fall in production between 2000 and 2001.[4]

During 1999-2002, the proportion of steel produced using the basic oxygen process remained almost constant, at approximately 60 percent of world production, while the electric arc process accounted for 33 to 34 percent of world production, and the open hearth and other processes for approximately 5 percent.[5] Russia and Ukraine continue to produce significant amounts of steel using the open hearth process. In 2002, the open hearth process accounted for almost 24 percent of the steel produced in Russia, and more than 47 percent of the steel produced in Ukraine.[6]

World production capacity is more difficult to quantify than actual production. Estimates[7] suggest that global steel production capacity exceeds both actual production and current market demand. The difficulty in estimating capacity is two-fold. First, there may be significant differences between stated capacity and effective capacity. In almost all production facilities, effective capacity[8] is less than stated production capacity. Second, stated capacity may be inflated by the inclusion of projected,

[4] Ibid.

[5] Ibid.

[6] IISI, *World Steel in Figures*, 2003 edition.

[7] The principal sources of steel industry capacity are World Steel Dynamics, Inc., and the Organisation for Economic Co-Operation and Development (OECD).

[8] World Steel Dynamics, Inc., publishes data on effective capacity and defines effective capacity as the level of output that occurs one year after a surge in world steel export prices.

inoperative, or obsolete capacity. Estimated annual global crude steel production capacity for 2002 is 1.2 billion tons, exceeding production by an estimated 200 million tons.[9]

In August 2001, the Organisation for Economic Co-Operation and Development (OECD) began a series of high-level meetings to discuss the issues of excess capacity and market distortions. The meetings were attended by the OECD Steel Committee, observers, and representatives of key steel producing countries: Argentina, China, Kazakhstan, South Africa, and Taiwan.[10] At the fifth such meeting in December 2002, senior government officials from major steel-producing countries identified subsidies and related government supports and trade remedies as two areas of great concern to attending representatives.[11] They directed that efforts be undertaken to formulate elements of an agreement to reduce or eliminate trade-distorting subsidies in steel at all levels of government, to evaluate the feasability of options to facilitate plant closures, and to coordinate efforts with the World Trade Organization. As of the sixth meeting in July 2003, elements of an agreement for reducing or eliminating subsidies had been roughly defined, but with future work to consider an overall prohibition on subsidies to the steel industry, and how certain exceptions and a country's stage of economic development would be factored into such an agreement.[12]

While world steel production increased between 1999 and 2002, measurable employment in steel production decreased (employment can be measured for almost 70 percent of world steel production during each year of the period examined).[13] Employment data for steel production in China and the former republics of the USSR (collectively accounting for up to 31 percent of annual world production during 1999-2002) are not comparable to employment data for the rest of the world. Typically, China and the republics of the former Soviet Union count all workers in steel-producing locales (areas immediately surrounding steel production facilities) as steel production workers. In addition, labor policies intended to provide full employment in those countries likely distort the relationship between the number of employees and the quantity of output.[14]

For the part of world steel production for which meaningful data are available, employment decreased by 12 percent between 1999 and 2002 (figure OVERVIEW IV-2).[15] During 1999-2002, the average yearly decline in employment was 37,000 persons. Between 1999 and 2000, most of the decline in employment occurred in South Africa, followed by Japan. Between 2000 and 2001, the decline in employment occurred principally in the United States and Japan. Between 2001 and 2002, the greatest decline was in the United States, followed by the EU and Japan. By the end of 2002, fewer than 800,000 workers produced almost 70 percent of the world's steel.

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[9] OECD, *OECD Observer*, December 19, 2002.

[10] OECD, press release, "OECD Meeting on Steel," found at *http://www.oecd.org*, retrieved September 11, 2003.

[11] OECD, press release, "OECD High Level Meeting on Steel: Progress Made on Cutting Subsidies, Overcapacity," found at *http://www.oecd.org*, retrieved September 11, 2003.

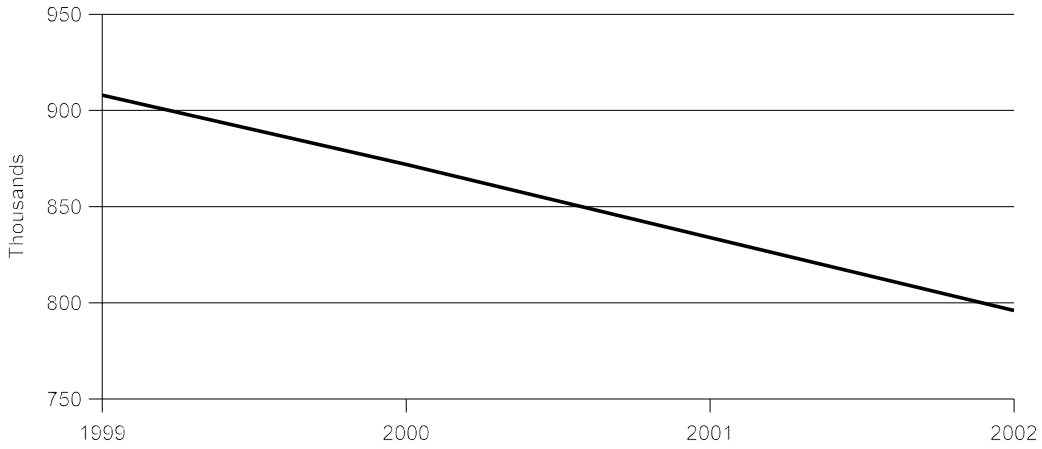
[12] OECD, press release, "Major Steel-Producing Economies Make Progress on Elements of a Steel Subsidies Agreement," found at *http://www.oced.gov*, retrieved September 11, 2003.

[13] IISI, *World Steel in Figures*, 2003 and earlier editions.

[14] U.S. Department of Commerce, International Trade Administration, *Global Steel Trade: Structural Problems and Future Solutions*, July 200, pp. 43 and 143.

[15] IISI, *World Steel in Figures*, 2003 and earlier editions.

Figure OVERVIEW IV-2
World steel industry employment, 1999-2002



Source: International Iron and Steel Institute, *World Steel in Figures*, 2003 and previous yearly editions.

GLOBAL TRADE IN STEEL

Between 1999 and 2001, the most recent year for which data are available, world exports of semi-finished and finished steel rose by almost 9 percent from 1999 to 2000, before falling by 2 percent from 2000 to 2001.[16] Data on world exports do not match data on world imports due to discrepancies in the compiling of statistics by various countries. As a percentage of world steel production, exports were approximately 40 to 41 percent during 1999-2001.[17] In 2001, the most recent year for which data are available, the top 5 exporting countries of steel, based on tonnage, were Japan, Russia, Ukraine, Germany, and Belgium-Luxembourg. The top 5 importing countries were the United States, China, Germany, Italy, and France.[18]

CONCENTRATION OF PRODUCERS

Despite continuing mergers between European producers, alliances between Asian producers, and increasing foreign investment by producers throughout the world, global steel production remains fragmented. In 2002, 75 competing firms produced more than two-thirds of the world's steel. As indicated in table OVERVIEW IV-2, between 1999 and 2002, the largest producers' collective share of world production increased slightly.

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[16] IISI, *World Statistical Yearbook*, 2002.

[17] In the report for investigation No. TA-201-73, crude steel equivalents were used to measure world trade in steel. Because conversion efficiencies continue to increase, finished steel exports are a more consistent measure of export activity over time.

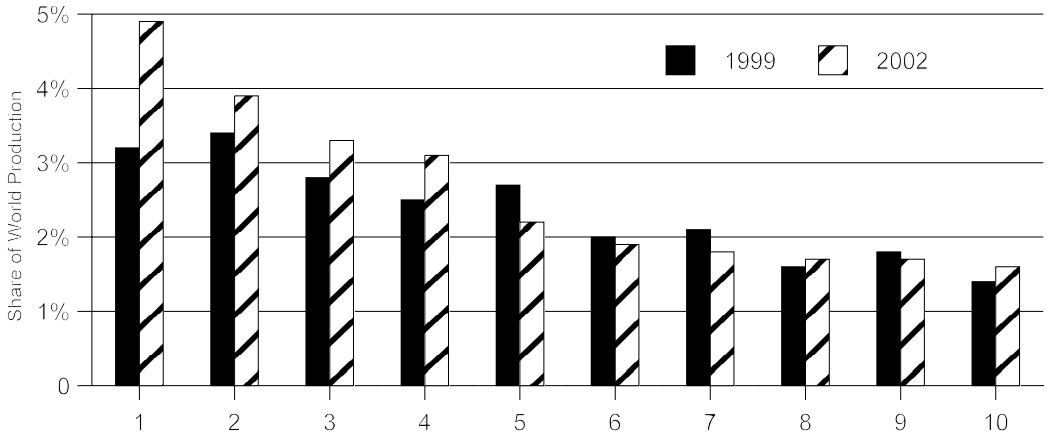
[18] IISI, *World Steel in Figures*, 2003 edition, p. 11.

Table OVERVIEW IV-2
Steel: Share of global production, by firm grouping, 1999 and 2002

Largest firms	Percent of world production in 1999	Percent of world production in 2002
5 largest firms	14.7	17.3
10 largest firms	25.0	25.9
20 largest firms	37.1	38.2
Source: International Iron and Steel Institute, *World Steel in Figures*, 2003 and 2001editions		

In 1999, the individual production shares of the 5 largest producers ranged from 2.5 percent to 3.3 percent of total world production, with an average share of 2.9 percent. In 2002, their individual production shares ranged from 2.2 percent to 4.9 percent, with the average individual share increasing to 3.5 percent. According to data from the International Iron and Steel Institute (IISI), U.S. Steel ranked 10th in world crude steel production, and Nucor ranked 12th. Thus, with the consolidation in the U.S. steel industry during 2002 of ISG with assets of Bethlehem (ranked 22nd) and LTV (ranked 32nd in 2001) and Acme Metals, U.S. Steel's acquisition of National Steel (ranked 37th), and Nucor's acquisitions of Trico Steel and Birmingham Steel, U.S. steel producers are likely to be among the top 10 global steel producing companies. Consolidation is likely the reason for the change in the average individual production shares for the 10 largest producers, which increased from 2.5 percent in 1999 to 2.6 percent in 2002 as shown in figure OVERVIEW IV-3.

Figure OVERVIEW IV-3
Shares of world steel production, 10 largest producers, 1999 and 2002

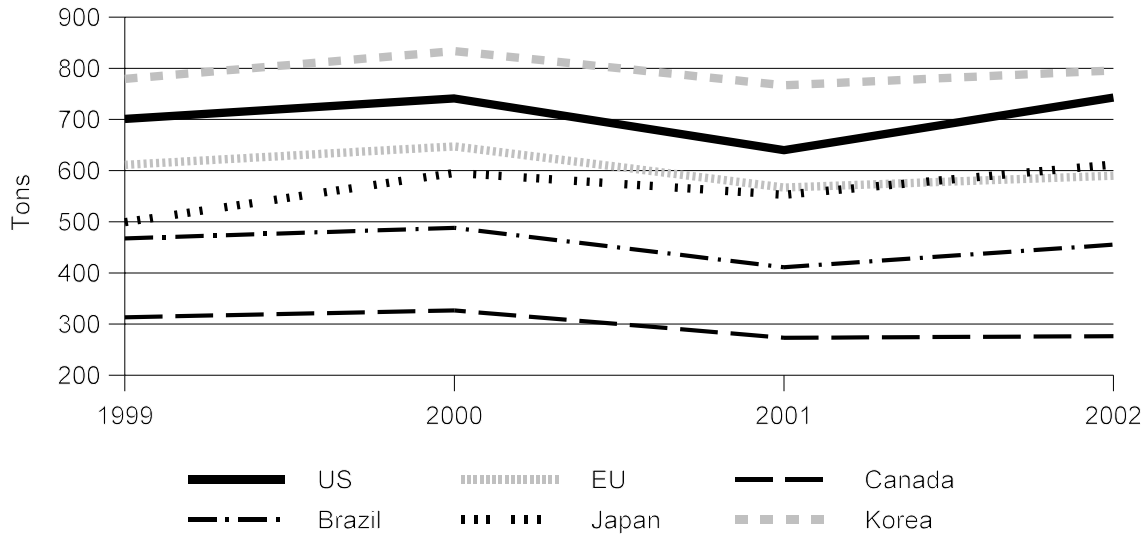


Source: International Iron and Steel Institute, *World Steel in Figures*, 2001 and 2003 editions.

PRODUCTIVITY TRENDS

Figure OVERVIEW IV-4 shows annual productivity as measured by IISI, in tons of crude steel produced per employee, for Canada, Brazil, the EU, Japan, Korea, and the United States during 1999-2002. These data are primarily useful for observing trends within national industries over time.

Figure OVERVIEW IV-4
Annual crude steel production per employee for selected countries, 1999-2002



Source: International Iron and Steel Institute, *World Steel in Figures*, 2000 through 2002.

CHAPTER 2

CARBON AND ALLOY FLAT STEEL

PART I: OVERVIEW (FLAT STEEL)

ORGANIZATION OF THIS SECTION

Information in this carbon and alloy flat steel (flat steel)[1] section is organized into four parts: (1) overview of issues concerning the industries producing flat steel; (2) industry and market data for certain carbon and alloy flat-rolled steel;[2] (3) industry and market data for tin mill products (tin); and (4) adjustment efforts of U.S. flat producers. Information collected on the foreign industries producing the subject products is presented in appendix G.

U.S. PRODUCERS

Information on the number of reporting U.S. producers of flat steel and a summary of U.S. producers' positions with respect to the section 203 relief is presented in table FLAT I-1.[3] A list of U.S. producers of flat steel providing a response to the Commission's producers' questionnaire in this investigation is presented in table FLAT I-2.[4]

Table FLAT I-1
Flat steel: Summary of U.S. producers' positions with respect to the section 203 relief, by products and forms[1]

Item	Support relief	Oppose relief	Take no position	No response	Total
Slab	12	2	0	0	14
Plate	12	1	1	0	14
Hot-rolled	20	1	3	0	24
Cold-rolled	16	5	4	0	25
Coated	16	2	3	0	21
Subtotal, certain flat steel	76	11	11	0	98
Tin	6	0	1	0	7

[1] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

Source: Compiled from data submitted in response to Commission questionnaires.

[1] For purposes of this report, the term "flat steel" consists of subject slab, plate, hot-rolled, cold-rolled, coated, and tin.

[2] In the section 201 investigation, the Commission found a single industry producing carbon and alloy flat-rolled steel comprising slab, plate, hot-rolled, cold-rolled, and coated. The Commission found a separate industry producing tin mill products. *See*, *Steel*, Inv. No. TA-201-73, USITC Pub. 3479, December 2001, pp. 37, 46-47, and n.138.

For purposes of this report, the term "certain carbon and alloy flat-rolled steel" consists of subject carbon and alloy slab, plate, hot-rolled, cold-rolled, and coated. Data tables concerning slab, plate, hot-rolled, cold-rolled, and coated are presented in app. F.

[3] As previously mentioned, information on U.S. producers' positions with respect to the section 203 import relief, by firms and by products, is presented in app. E. In some instances, firms have expressed positions for products they do not produce.

[4] For purposes of this section, ISG/Acme, ISG/Bethlehem, and ISG/LTV are treated as separate firms.

Table FLAT I-2
Flat steel: U.S. producers' production, by products, April 2002-March 2003

* * * * * * *

STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing certain carbon and alloy flat-rolled steel and tin mill products, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table FLAT I-3. Table FLAT I-4 presents industry mergers and acquisitions. Table FLAT I-5 presents major publicly announced capital investments of U.S. producers.

Timelines

Figure FLAT I-1 presents data on the raw steel production capability of bankrupt firms. Bankruptcies of several large firms occurred during the two-year period preceding the safeguard measures, but no bankruptcies of large firms occurred during the first year of the safeguard measures.[5] Figure FLAT I-2 presents a timeline for significant mergers and acquisitions of companies in the flat-rolled sector. It shows that merger and acquisition activity was low through March 2002, then grew during the first year of the safeguard measures.[6]

[5] The bankruptcies of Weirton Steel (May 2003) and WCI Steel (September 2003) occurred after the period under review. The last of the large firms to declare bankruptcy during the period examined was National Steel, which filed for chapter 11 bankruptcy on March 6, 2002. Cold Metal Products, which filed for bankruptcy in August 2002, had no raw steel capability and only 0.4 million short tons of rolling capability at its Youngstown, OH, Ottowa, OH, and Indianapolis, IN facilities, combined; as a service center for cutting, Cold Metal Products' Roseville, MI facility had no rolling capability.

[6] Although shown on the timeline, raw steel capability of a firm that purchases a firm without raw steel capability is not included in the bar chart. There is no double counting of capability of a firm involved in more than one merger/acquisition during the same March-April period.

Table FLAT I-3
Flat steel: U.S. producers of subject products that have filed for bankruptcy protection, 1998-2003[1]

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability (*million short tons*)	Employees affected	Comments
September 1998	Acme Metals *Riverdale, IL*	Hot-and cold-rolled sheet, including high-carbon and HSLA grades	Operating as ISG	1.2	1,000	Shutdown October 2001. Steelmaking and rolling assets acquired by International Steel Group in October 2002 and restarted in December 2002.
July 1999	Gulf States Steel *Gadsden, AL*	Plate, hot- and cold-rolled sheet, galvanized sheet	Shut down August 2000	1.5	1,600	
November 2000	Wheeling-Pittsburgh *Steubenville, OH*	Hot- and cold-rolled sheet, galvanized sheet, tinplate	Operating	3.0		Subsidiary of WHX Corp. Announced layoff of 50 salaried employees. Received $400,000 from State of West Virginia contingency fund to complete construction of coil processing line (completed in early 2002). Emerged from bankruptcy in August 2003.
December 2000	LTV *Cleveland, OH Indiana Harbor, IN others*	Hot- and cold-rolled sheet, galvanized sheet, tinplate, pipe and tubing	Most flat steel facilities operating as ISG and U.S. Steel (see comments)	8.0		Permanently closed wholly-owned iron ore mine employing 1,100. Sold two tin mill facilities to U.S. Steel in March 2001 (one subsequently closed). Closed Cleveland-West operations in June 2001. Tubular products operations continued to operate. Flat steel operations shut down December 2001, acquired by International Steel Group and restarted in May and June 2002.
January 2001	Heartland Steel *Terre Haute, IN*	Cold-rolled sheet processor	Operating	None		Purchased by Brazilian steel company CSN in June 2001.
March 2001	Trico Steel *Decatur, AL*	Hot-rolled sheet	Operating as Nucor Decatur	2.2	320	Joint venture of LTV (50%) Corus (UK) (25%) and Sumitomo Metals (Japan) (25%). Shut down March 2001. Assets acquired by Nucor in July 2002. Restarted in September 2002.

Table continued. See footnote at end of table.

Table FLAT I-3--*Continued*
Flat steel: U.S. producers of subject products that have filed for bankruptcy protection, 1998-2003[1]

Date of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability (*million short tons*)	Employees affected	Comments
April 2001	Great Lakes Metals *E. Chicago, IN*	Electrogalvanized steel	Shut down July 2001	None	40	
August 2001	GalvPro *Jeffersonville, IN*	Galvanized sheet	Shut down March 2001	None	60	Began production in December 1999 as joint venture between Weirton Steel and Corus Group. Bought by Steel Dynamics in February 2003.
October 2001	Bethlehem Steel *Baltimore, MD Portage, IN Steelton, PA Coatesville, PA Conshohocken, PA*	Plate, hot- and cold-rolled sheet, galvanized sheet, tinplate, rail	Operating	11.3		Operating assets acquired by International Steel Group, Inc. in May 2003.
Jan 2002 and February 1999	Geneva Steel *Provo, UT*	Plate, hot-rolled sheet, pipe (primarily line pipe), slab	Shut down December 2001	2.5	1,800	Emerged from 1999 bankruptcy as Geneva Steel Holdings Corp., January 2001, with federally guaranteed loan of $110 million. Permanent shutdown in December 2001. Filed for bankruptcy again on January 25, 2002.
March 2002	National Steel *Mishawaka, IN Ecorse, MI St. Louis, MO*	Hot- and cold-rolled sheet, galvanized sheet	Operating	7.0		Operating assets acquired by U.S. Steel in May 2003.
August 2002	Cold Metal Products *Youngstown, OH Ottawa, OH Indianapolis, IN Roseville, MI Canada*	Cold-rolled strip and sheet	2 U.S. plants closed, 2 U.S. plants operating	None		Ottawa, OH, Roseville, MI, and Canadian plants acquired and restarted by 3 separate companies. Indianapolis and Youngstown plants liquidated.
May 2003	Weirton Steel *Weirton, WV*	Hot- and cold-rolled sheet, corrosion resistant sheet and tinplate	Operating	3.0		
September 2003	WCI Steel *Warren, OH*	Hot- and cold-rolled sheet/coil, hot-dip galvanized sheet/coil	Operating	1.4		

[1] Additionally, two basic steel processors declared bankruptcy during this period. World Class Processing (Ambridge, PA) declared bankruptcy in December 1998 but has since emerged. In February 2002, Huntco Inc. (Town and Country, MO) declared bankruptcy and ceased operations. Reportedly, a former Huntco cold-rolled sheet mill has been purchased, dismantled, and is being re-assembled in China.

Source: Compiled from various public sources.

Table FLAT I-4
Flat steel: Significant steel company mergers and acquisitions, 1998-2003[1]

Month and year	Company	Description and capabilities
		Million short tons of raw steel
January 1998	Co-Steel (Canada)	Co-Steel acquired New Jersey Steel Corp. (0.8 capability) and renamed it Co-Steel Sayreville. Operates as a single entity with Co-Steel Raritan, Perth Amboy, NJ. Co-Steel is a half-owner of Gallatin Steel, Gallatin, KY (1.2 capability), a flat-rolled steel producer, and operates a minimill and scrap operations in Canada.
May 1998	Bethlehem Steel	Bethlehem, a major integrated steel company with 11.3 capability, acquired Lukens, Inc. (0.9 capability), an electric furnace-based producer of carbon and alloy steel plate, and stainless steel flat-rolled products. The stainless steel operations were sold mostly to Allegheny Ludlum Steel.
July 1998	Ispat-Inland	Inland Steel, a major U.S. integrated producer (6.0 capability), was acquired by Ispat International, Inc., a London-based holding company of mostly minimill steel companies in Canada, Mexico, Trinidad, and the European Union.
November 1998	Jindal United Steel Corp.	Jindal, an Indian firm, acquired and restarted the closed Baytown, TX plate facility (with no raw steel capability) of U.S. Steel.
December 1998	Duferco Farrell	Duferco Group, a Swiss company, purchased former Sharon Steel and Caparo Steel companies, located in Farrell, PA; neither Sharon nor Caparo had raw steel capability when bought by Duferco.
September 1999	AK Steel	AK, a major integrated steel company (5.0 capability), acquired Armco, Inc. (1.0 capability), a major producer of stainless and silicon steel flat products and carbon steel pipe.
June 2000	IMSA	Grupo IMSA, a family of companies that includes Mexican steel producers, acquired the former BHP Coated Steel Corp. (with no raw steel capability) and renamed it Steelscape.
November 2000	U.S. Steel	U.S. Steel, the largest of the U.S. integrated companies (16.8 capability), acquired VSZ a.s., an integrated company located in Slovakia.
March 2001	U.S. Steel	U.S. Steel (16.8 capability) acquired the tin mill unit of LTV (with no raw steel capability), consisting of tin mill facilities at Aliquippa, PA and East Chicago, IN. Following the acquisition, U.S. Steel closed the Aliquippa facility.
June 2001	CSN (Brazil)	Acquired Heartland Steel, a cold-rolled sheet processor with no raw steel capability.
2nd quarter 2002	Gallatin Steel	Gallatin Steel (1.2 capability) acquired, through its purchase of Ghent Steel Industries, the steel processing assets of Huntco (with no raw steel capability), which formerly processed coils supplied by Gallatin. With the acquisition, Gallatin now processes its own coils.
April 2002	International Steel Group (ISG)	ISG, a newly formed corporation, acquired the steelmaking assets of LTV Steel Corp. (8.4 capability), a major integrated steel company.
May 2002	Steelscape	Steelscape (with no raw steel capability), a west-coast producer of galvanized and painted sheets, and a part of the Grupo IMSA family of companies that includes Mexican steel producing operations, acquired the Pinole Point (CA) steel processing facilities (with no raw steel capability) from MSC Corp. and shut down the galvanizing line.
June 2002	Bethlehem Steel	Bethlehem (11.3 capability) acquired LTV's 50% share of Columbus Coatings and Columbus Processing, giving Bethlehem 100% ownership of these hot-dip galvanized production and processing facilities with no raw steel capability.
July 2002	Nucor	Nucor (13.2 capability) acquired the assets of Trico Steel Co., LLC (2.2 capability) a minimill producer of flat-rolled products.
August 2002	AK Steel and ISG	AK Steel (6.0 capability) and International Steel Group (8.4 capability) formed a partnership to own a flat-rolled steel electrogalvanizing facility (with no raw steel capability) formerly owned by LTV Steel and Sumitomo Corp.
October 2002	ISG	ISG (8.4 capability) acquired the steelmaking assets of Acme Metals, Inc. (1.2 capability).
February 2003	Steel Dynamics	Steel Dynamics (2.8 capability) acquired GalvPro, a galvanizing facility in Jeffersonville, IN with no raw steel capability.
May 2003	ISG	ISG, a large, integrated steel producer (9.6 capability), purchased the assets of Bethlehem Steel Corp. (11.3 capability), a large, integrated producer of all flat-rolled products and rails.
May 2003	U.S. Steel	U.S. Steel (16.8 capability), the largest integrated steel producer in the United States, acquired the assets of National Steel Corp. (7.0 capability), another large, integrated producer of flat-rolled products.

[1] Additionally, in August 2003 U.S. Steel signed a letter of intent to swap its Gary plate operations for an ISG-owned pickle line.

Source: Compiled from various public sources.

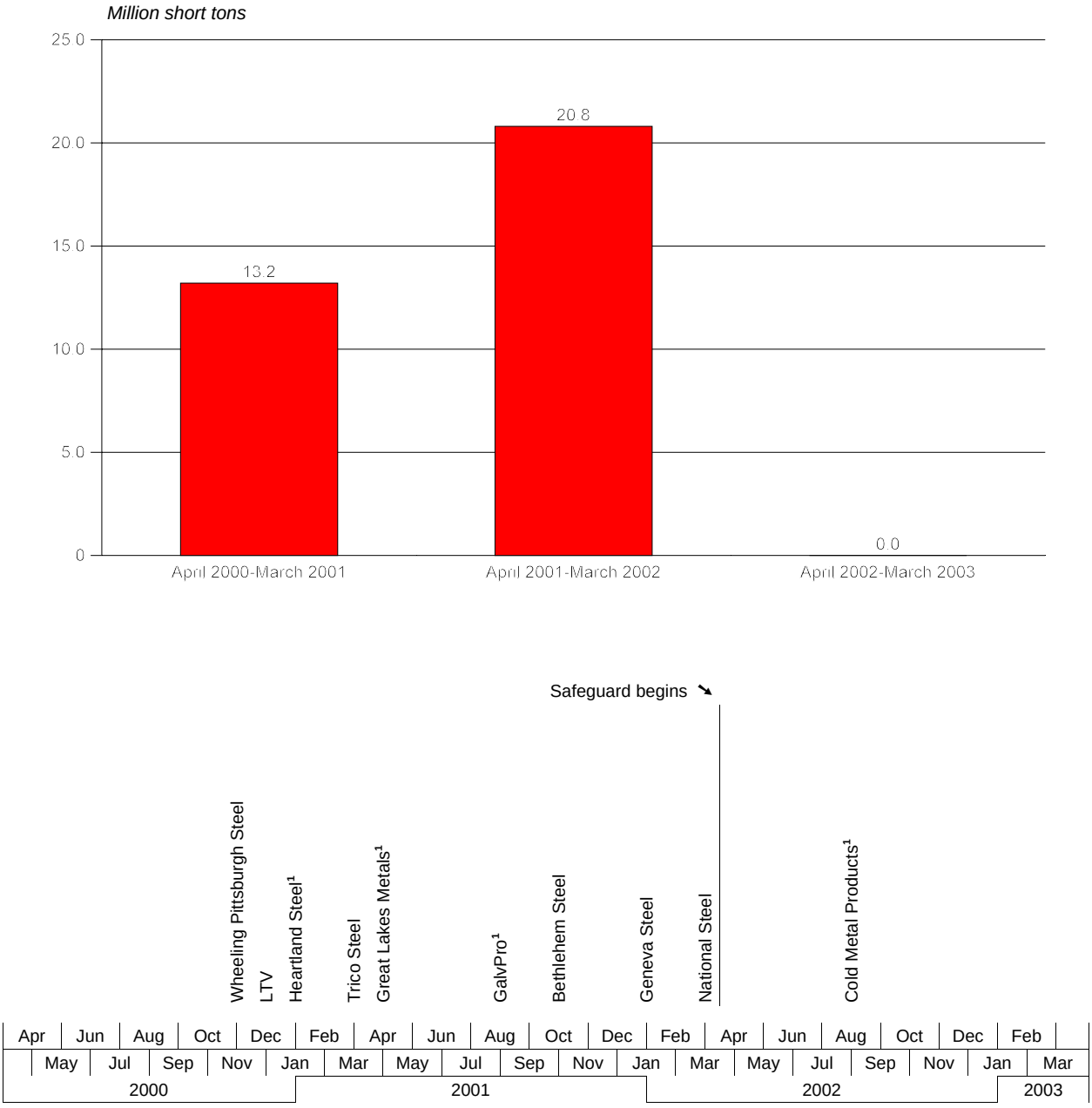
Table FLAT I-5
Flat steel: Major capital investments of U.S. steel companies, as reported in public sources, 1998-2003

Year	Company and location	Facility	Reported investment[1]
			Million dollars
1998	Pro-Tec Coating *Leipsic, OH*	Installed galvanizing line increasing plant's total capacity by 400,000 tons to 1 million tons annually	100-150
1999	AK Steel *Rockport, IN*	Completed installation of 1.8 million tons per year carbon and stainless flat-rolled finishing facility.	1,100
1999	Columbus Coatings *Columbus, OH*	Joint venture of Bethlehem Steel and LTV Steel; 500,000 tons per year hot-dip galvanizing facility, replacing an electrolytic galvanizing facility. A second joint venture is a slitting and warehousing operation.	125 for both
1999	Heartland Steel *Terre Haute, IN*	1.1 million tons per year flat-rolled steel processing facility, including pickling line, reversing cold-rolling mill, batch annealing, hot-dip galvanizing line.	285
1999	National Steel *Ecorse, MI*	450,000 tons per year hot-dip galvanized and galvanneal line.	175
2000	Bethlehem Steel *Sparrows Point, MD*	Widened slab caster from 88 to 104 inches for production of wider plates.	60
2000	Bethlehem Steel *Sparrows Point, MD*	New cold mill complex, including a continuous coupled pickling line and tandem mill, hydrogen batch annealing, combination skin pass/tension leveling line, coil build-up, inspection, packaging and shipping facilities.	300
2000	Nucor *Berkeley, SC*	Second thin-slab caster installed, in October increasing capacity from 1.5 to 2.3 million tons.	40
2000	Nucor *Hertford County, NC*	Completion of new 1 million ton plate mill.	480
2001	Nucor *Berkeley, SC*	Second cold reversing mill to increase cold-rolling capacity from 750 thousand to 1.5 million tons of cold-rolled product to be completed in 2001.	40
2001	DSC Ltd. *Gibraltar, MI*	Revamp and restart cold-mill with capacity of 1.2 million tons. (The plant, formerly known as McLouth Steel, had gone into bankruptcy twice (the second bankruptcy in 1995) and closed in early 1996; sold in August 1996 to DSC (Detroit Steel Co.)).	60
2001	Nucor *Crawfordsville IN*	Began construction on demonstration strip casting facility. (Had agreed with IHI (Japan) to jointly develop, commercialize, and license direct strip casting.)	95[2]
2001	USS-Posco *Pittsburg, CA*	Line speed capability was increased for the continuous annealing line.	
2001	Ipsco Steel *Mobile, AL*	Construction of new steelworks completed; includes new melting and plate rolling capacity.	395
2002	USS-Posco *Pittsburg, CA*	Rebuilt and restarted of the continuous pickle line tandem cold mill that was damaged by fire in 2001.	115
2002	Bethlehem Steel *Sparrows Point, MD*	Fine-tuning of an in-line acrylic coater installed in 2001 was completed in early 2002.	
2002	Nucor *Crawfordsville, IN*	Construction (referred to above in 2000) completed of the Castrip facility with a new ladle metalurgy furnace installed; facility was successfully started up.	95[2]
2002	Wheeling-Pittsburgh *Beach Bottom, WV*	No. 2 paint line was purchased and installed	15
2003	Steel Dynamics *Butler, IN*	New coating line will be installed to provide further penetration into flat-rolled steel marketplace. Will have a capacity of 240,000 tons. Scheduled for startup in fall 2003.	25-30

[1] Where no value is given, data were not reported in source.
[2] Estimated by the Commission staff at 47.5 percent of $400 million investment by Castrip LLC (which is 47.5 percent owned by Nucor) and then expended half in year ended March 2001 and half in year ended March 2002.

Source: Selected entries from annual reports titled "Developments in the North American Iron and Steel Industry," 1999, and *Iron and Steel Engineer*; 2000, 2001, 2002 *AISE Steel technology*.

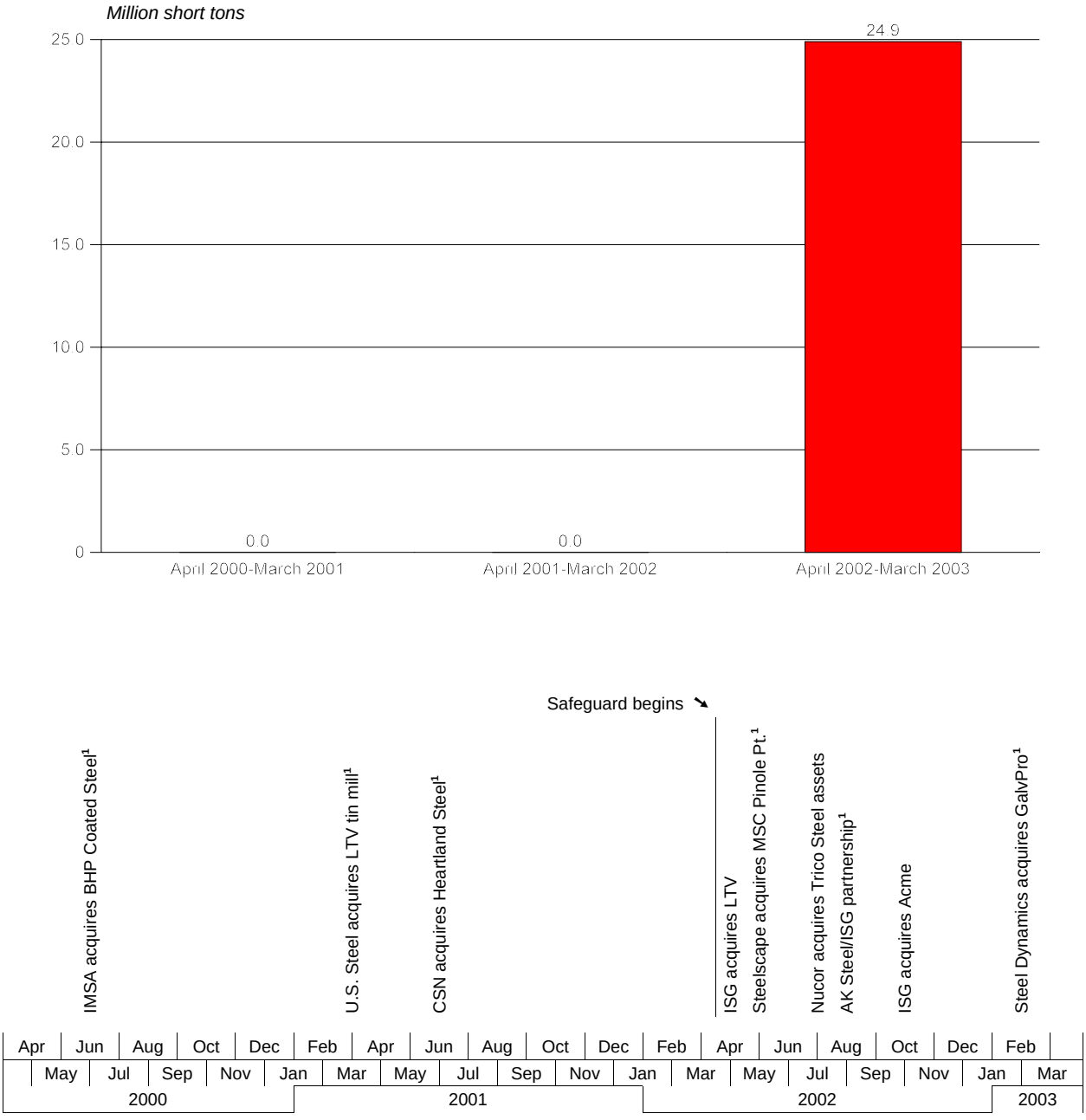
Figure FLAT I-1
Flat steel: Firms filing for bankruptcy protection and related raw steel capability, April 2000-March 2003



[1] Firm without raw steel capability.

Source: Table FLAT I-3 and other publicly available information.

Figure FLAT I-2
Flat steel: Mergers and acquisitions and related raw steel capability, April 2000-March 2003



[1] Acquired firm has no raw steel capability.

Source: Table FLAT I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (CERTAIN CARBON AND ALLOY FLAT-ROLLED STEEL)

DESCRIPTION AND USES

Slab

A slab is a semifinished steel product produced by continuous casting or by hot-rolling or forging.[1] Slabs of carbon steel have a rectangular cross-section with a width at least two times the thickness. Slabs of other alloy steel have a width at least four times the thickness. All slabs are considered semifinished steel products that are consumed by steel producers to make sheet, strip, plate, and other downstream steel products. All reporting U.S. slab-producing firms also produced one or more forms of downstream flat-rolled products during the period for which data were collected in this investigation. The vast majority of U.S.-produced slabs are internally consumed by the domestic slab producers in the production of finished flat-rolled steel, with a very minor portion being sold on the commercial market. Harmonized Tariff System (HTS) statistical reporting numbers for subject carbon and alloy steel slab (slab) are provided in table FLAT II-1.

Table FLAT II-1
Slab: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Slab[1]	7207.12.0010	7207.12.0050	7207.20.0025	7207.20.0045	7224.90.0055

[1] The temporary HTS subheadings for slab established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.72.30 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.72.31 for other products excluded from the section 203 remedy,
(2) 9903.74.30 and 9903.74.31 for products entered in quantities up to stated limits (250,000 tons for each of the HTS subheadings) without additional tariffs,
(3) 9903.72.38, 9903.72.42, 9903.72.46 for slab entered under country-specific quota levels without additional tariffs, and
(4) 9903.72.40, 9903.72.44, and 9903.72.48 for products imported in excess of the tariff-rate quota trigger quantities and therefore incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of slab which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of such a particular type of slab exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the country-specific quotas, or if the applicable country-specific quota has already been filled then the quantity of imports in excess of the specified quantitative limits would be covered by the temporary HTS subheadings identified in (4) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

[1] Thin slab, which is typically produced in minimills, is immediately consumed in the hot-rolling process and are thus not available for the merchant market.

Plate

This category includes both cut-to-length (CTL) plate and clad plate (collectively referred to in this section as "plate"). CTL plate is flat-rolled steel of rectangular cross-section, having a thickness of 4.75 mm or more and a width that exceeds 150 mm and measures at least twice the thickness. It is flat, *i.e.*, not in coil,[2] and may be of any shape (rectangular, circular, or other). CTL plate is produced by rolling on a reversing mill, on a Steckel mill, or on a continuous hot-strip mill. If produced from a coiled form, plate is flattened and cut to length from the coiled plate at the mill or at a service center. It may have patterns-in-relief derived directly from rolling (floor plate). It may be perforated, corrugated, or polished. Plate may also have been subjected to heat-treatment and may have been descaled or pickled. Clad plate is flat-rolled steel of more than one metal layer, of which the predominating metal is non-alloy steel, and the layers are joined by molecular interpenetration of the surfaces in contact. The metal other than non-alloy steel used for clad plate may be stainless steel, titanium, or any other metal. The clad plate may be in the form of a flat plate or a coiled plate, may be of any thickness, and may be either hot- or cold-rolled. Made from slab, plate is used in welded load-bearing and structural applications, such as bridgework, machine parts (*e.g.*, the body of the machine or its frame), transmission towers and light poles, buildings, self-propelled machinery such as cranes and bulldozers, railway cars, tanks, oceangoing ships, and floor plate, or formed into pipe, oilwell rigs, and platforms. HTS statistical reporting numbers for subject carbon and alloy steel CTL plate are presented in table FLAT II-2.

Table FLAT II-2
Plate: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Plate[1]	7208.40.3030	7208.51.0045	7208.90.0000	7211.14.0030	7225.40.3050
	7208.40.3060	7208.51.0060	7210.90.1000	7211.14.0045	7225.50.6000
	7208.51.0030	7208.52.0000	7211.13.0000	7225.40.3005	7226.91.5000

[1] The temporary HTS subheadings for plate established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.72.50 through 9903.72.54, 9903.74.38 through 9903.74.42, 9903.74.45 through 9903.74.49, 9903.74.54, 9903.74.58 through 9903.74.60, 9903.74.70, and 9903.78.25 through 9903.78.28 for products excluded from the section 203 remedy,
(2) 9903.74.43, 9903.74.44, 9903.74.50 through 9903.74.53, 9903.74.55 through 9903.74.57, 9903.74.69, 9903.74.73, and 9903.78.29 through 9903.78.32 for products entered in quantities up to stated limits (ranging from 180 tons to 6,500 tons) without additional tariffs, and
(3) 9903.72.60, 9903.72.61, and 9903.72.62 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing therefore incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of plate which are excluded from the additional tariffs when entered up to certain quantitative limits, *i.e.*, a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of plate exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

With respect to 9903.74.69 and 9903.74.73, although these no-longer-existent temporary HTS subheadings were originally categorized as hot-rolled sheet and strip (including plate in coils) as described on the following page, it is believed that all imports entered under this subheading were indeed plate as described on this page.

Source: Harmonized Tariff Schedule of the United States (2003).

[2] Plate (other than clad plate) in coil is not included in the "plate" category for purposes of this report and is instead included in the hot-rolled category.

Hot-Rolled

This category includes hot-rolled sheet and strip, as well as non-clad plate in coils (collectively referred to in this section as "hot-rolled" steel). These are carbon and alloy flat-rolled steel of rectangular cross-section, produced by hot-rolling on hot-strip (continuous) mills, reversing mills, or Steckel mills. If the hot-rolled steel is in coils, it may be of any thickness. If it is in straight lengths, it must be of a thickness of less than 4.75 mm and a width measuring at least 10 times the thickness. It may have patterns-in-relief derived directly from rolling (floor plate). It may be perforated, corrugated, or polished. It may be either unpickled or pickled. It may have been subjected to various processing steps after hot reduction, including pickling or descaling, rewinding, flattening, temper rolling, or heat treatment, and it may have been cut into shapes other than rectangular. A substantial amount of hot-rolled steel is consumed internally or transferred to an affiliated company to make cold-rolled and/or galvanized or other coated forms of flat-rolled steel, formed and welded to make pipe, or cut to length to produce discrete sheet. Hot-rolled sheet and strip is also used in the manufacture of structural parts of automobiles and appliances. Hot-rolled plate that is cut-to-length is used in the same applications identified above for CTL plate. HTS statistical reporting numbers for subject carbon and alloy steel hot-rolled sheet and strip including plate in coils (hot-rolled) are presented in table FLAT II-3.

Table FLAT II-3
Hot-rolled: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Hot-rolled[1]	7208.10.1500	7208.27.0060	7208.39.0015	7211.19.1500	7225.30.3005
	7208.10.3000	7208.36.0030	7208.39.0030	7211.19.2000	7225.30.3050
	7208.10.6000	7208.36.0060	7208.39.0090	7211.19.3000	7225.30.7000
	7208.25.3000	7208.37.0030	7208.40.6030	7211.19.4500	7225.40.7000
	7208.25.6000	7208.37.0060	7208.40.6060	7211.19.6000	7226.91.7000
	7208.26.0030	7208.38.0015	7208.53.0000	7211.19.7530	7226.91.8000
	7208.26.0060	7208.38.0030	7208.54.0000	7211.19.7560	
	7208.27.0030	7208.38.0090	7211.14.0090	7211.19.7590	

[1] The temporary HTS subheadings for hot-rolled steel established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.72.65 through 9903.72.73, 9903.74.61, 9903.74.63, 9903.74.64, 9903.74.74 through 9903.74.76, 9903.74.78 through 9903.74.84, 9903.74.86 through 9903.74.88, 9903.74.94, 9903.74.95, 9903.74.97, 9903.74.98, 9903.75.02, 9903.75.03, 9903.75.09, 9903.75.12, 9903.78.40 through 9903.78.47, 9903.78.57, 9903.78.58, 9903.78.60, and 9903.78.63 for products excluded from the section 203 remedy,

(2) 9903.72.74 through 9903.72.76, 9903.74.62, 9903.74.65, 9903.74.77, 9903.74.85, 9903.74.89 through 9903.74.91, 9903.74.96, 9903.74.99 through 9903.75.01, 9903.75.04 through 9903.75.08, 9903.75.10, 9903.75.13, 9903.75.14, 9903.78.48 through 9903.78.56, 9903.78.59, 9903.78.61, and 9903.78.62 for products entered in quantities up to stated limits (ranging from 250 tons to 750,000 tons) without additional tariffs, and

(3) 9903.72.80, 9903.72.81, and 9903.72.82 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of hot-rolled steel which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of hot-rolled steel exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

Cold-Rolled

This category includes cold-rolled sheet and strip, other than grain-oriented electrical steel (GOES), of rectangular cross-section, produced by cold-rolling ("cold-rolled"). If in coiled form, it may be of any thickness. If it is in straight lengths, it must be of a thickness of less than 4.75 mm and a width measuring at least 10 times the thickness. Cold-rolled steel may have patterns-in-relief derived directly from rolling. It may be perforated, corrugated, or polished. It may have been subjected to various processing steps after cold reduction, including flattening, temper rolling, or heat treatment, and it may have been cut into shapes other than rectangular. Much of the cold-rolled steel is used internally or transferred to affiliates for downstream production of corrosion-resistant steel, tin plate, and other products. Cold-rolled steel that is not further processed is used for such applications as panels in electrical equipment and appliances, or for body parts in automobiles, where surface finish or strength-to-weight ratio is important but resistance to corrosion is not important. Cold-rolled steel is also used for automotive transmission and seat belt components,[3] and serves as a material for utensils, cutting tools, and cutlery. HTS statistical reporting numbers for subject carbon and alloy steel cold-rolled sheet and strip (cold-rolled) are presented in table FLAT II-4.

Table FLAT II-4
Cold-rolled: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Cold-rolled[1]	7209.15.0000	7209.18.2510	7211.23.2000	7211.29.4500	7226.19.1000
	7209.16.0030	7209.18.2550	7211.23.3000	7211.29.6030	7226.19.9000
	7209.16.0060	7209.18.6000	7211.23.4500	7211.29.6080	7226.92.5000
	7209.16.0090	7209.25.0000	7211.23.6030	7211.90.0000	7226.92.7005
	7209.17.0030	7209.26.0000	7211.23.6060	7225.19.0000	7226.92.7050
	7209.17.0060	7209.27.0000	7211.23.6075	7225.50.7000	7226.92.8005
	7209.17.0090	7209.28.0000	7211.23.6085	7225.50.8010	7226.92.8050
	7209.18.1530	7209.90.0000	7211.29.2030	7225.50.8015	
	7209.18.1560	7211.23.1500	7211.29.2090	7225.50.8085	

[1] The temporary HTS subheadings for cold-rolled steel established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.72.85 for products outside the scope of the section 201 investigation and therefore excluded from the remedy, and 9903.72.86 through 9903.72.90, 9903.72.92 through 9903.72.96, 9903.75.15 through 9903.75.19, 9903.75.27, 9903.75.30 through 9903.75.46, 9903.75.48, 9903.75.49, 9903.75.51, 9903.75.53, 9903.75.56, 9903.75.57, 9903.75.59, 9903.75.60, 9903.75.68 through 9903.75.72, and 9903.75.76 through 9903.75.97 for other products excluded from the section 203 remedy,

(2) 9903.72.97 through 9903.73.00, 9903.75.20 through 9903.75.26, 9903.75.28, 9903.75.29, 9903.75.50, 9903.75.52, 9903.75.54, 9903.75.55, 9903.75.58, 9903.75.62 through 9903.75.67, and 9903.75.73 through 9903.75.75 for products entered in quantities up to stated limits (ranging from 3 tons to 20,000 tons) without additional tariffs, and

(3) 9903.73.02, 9903.73.03, and 9903.73.04 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of cold-rolled steel which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of cold-rolled steel exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

[3] *See Certain Carbon Steel Products*, Invs. Nos. AA1921-197 (Review), 701-TA-231, 319-320, 322, 325-328, 340, 342, and 348-350 (Review), and 731-TA-573-576, 578, 582-587, 604, 607-608, 612, and 614-618 (Review), Pub. No. 3364, November 2000, pp. Cold-I-14-16 for discussion of seat belt retractor steel.

Coated

This category includes corrosion-resistant and other coated sheet and strip (collectively referred to in this section as "coated" steel). Coated steel is flat-rolled carbon or alloy steel with a metallic or nonmetallic coating, other than tin mill products, and other than clad. Corrosion resistance is used to prolong the useful life of end products in areas where the product is visible or exposed to weather or other corroding agents. The category includes steel that is galvanized (*i.e.*, coated with zinc), aluminized, coated with zinc-aluminum alloy, galvannealed (heat-treated after coating), coated with a mixture of lead and tin (*i.e.*, terne plate and terne coated sheets), painted, and coated with plastic. Galvanized steel is used to provide corrosion resistance in automobile parts, garbage cans, storage tanks, and building products. Terne principally is used in the manufacture of gasoline tanks, although it also can be found in chemical containers, oil filters, television chassis, highway equipment (*e.g.*, guardrails, bridgedecks, and signs), and agricultural buildings and equipment. HTS statistical reporting numbers for subject carbon and alloy steel corrosion-resistant and other coated sheet and strip (coated) are presented in table FLAT II-5.

Table FLAT II-5
Coated: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Coated[1]	7210.20.0000	7210.61.0000	7210.90.6000	7212.30.5000	7225.92.0000
	7210.30.0030	7210.69.0000	7210.90.9000	7212.40.1000	7225.99.0010
	7210.30.0060	7210.70.3000	7212.20.0000	7212.40.5000	7225.99.0090
	7210.41.0000	7210.70.6030	7212.30.1030	7212.50.0000	7226.93.0000
	7210.49.0030	7210.70.6060	7212.30.1090	7212.60.0000	7226.94.0000
	7210.49.0090	7210.70.6090	7212.30.3000	7225.91.0000	7226.99.0000

[1] The temporary HTS subheadings for coated steel established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.73.07 and 9903.73.08 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.09 through 9903.73.14, 9903.76.00 through 9903.76.09, 9903.76.11 through 9903.76.13, 9903.76.17 through 9903.76.19, 9903.76.21 through 9903.76.25, 9903.79.60 through 9903.79.71, 9903.79.77, 9903.79.79, and 9903.79.80 for other products excluded from the section 203 remedy,

(2) 9903.76.10, 9903.76.14 through 9903.76.16, 9903.76.20, 9903.79.72 through 9903.79.76, and 9903.79.78 for products entered in quantities up to stated limits (ranging from 500 tons to 80,000 tons) without additional tariffs, and

(3) 9903.73.21, 9903.73.22, and 9903.73.23 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of coated steel which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of coated steel exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

MARKET ENVIRONMENT

Changes in U.S. Demand[4]

The overall demand for certain carbon and alloy flat-rolled steel depends on the demand for a variety of end use applications. Demand for slab is influenced by the demand for hot-rolled, cold-rolled, and coated steel. Demand for plate is influenced by the production of ships and barges, storage tanks, heavy machinery, bridges, railcars, machine parts, pressure vessels, and off-shore drilling platforms. Demand for hot-rolled sheet and strip is dependent on demand for further-processed steel, such as cold-rolled, as well as those products in which it is a direct raw material, such as construction or automobiles. Demand for cold-rolled sheet and strip depends on demand in the appliance, automotive, construction, container, and other industries in which it is used. Demand for coated steel is influenced by demand in the automotive and construction industries.

As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of transportation equipment increased slightly, by 0.7 percent, between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. nonresidential construction put in place, however, decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of U.S. production), indicate that apparent U.S. consumption of certain carbon and alloy flat-rolled steel increased by 0.6 percent from 200.8 million short tons in April 2000-March 2001 to 202.0 million short tons in April 2002-March 2003.

Twenty-three of 36 responding U.S. certain carbon and alloy flat-rolled steel producers reported that U.S. demand for steel has decreased, seven reported that demand has remained the same, and six reported that demand has increased since March 20, 2002. Fifty of 66 responding certain carbon and alloy flat-rolled steel importers reported that U.S. demand for steel has decreased, 11 reported that demand has stayed the same, and five reported that demand has increased since March 20, 2002. U.S. certain carbon and alloy flat-rolled steel producers that reported decreased demand generally cited the slowing U.S. economy, particularly weakness in the construction, automotive, office furniture, capital spending, and appliance market sectors. Certain carbon and alloy flat-rolled steel importers that reported decreased demand generally cited the slowing U.S. economy and the loss of manufacturing facilities to other countries. Declining market sectors cited by certain carbon and alloy flat-rolled steel importers include aerospace, power generation, capital goods, automotive, and construction. U.S. certain carbon and alloy flat-rolled steel producers and importers that reported increased demand cited factors such as the strong U.S. automotive market and a temporary spike in spending for homeland security and military requirements.[5]

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[4] For purposes of this section of the report, ISG is counted as one firm.

[5] One domestic producer testified that demand in the auto and appliance sectors has been relatively strong. However, demand in construction and in many of the capital intensive types of industries, such as shipbuilding, railroad car building, and others has been weaker. He estimated that if GDP were to grow in the range of 2.5-3.5 percent annually, demand for steel would increase. Thomas Usher, Chairman and CEO, U.S. Steel Corp., transcript of Commission hearing (July 24, 2003) at 112. A second domestic producer counsel testified that the flat steel industry's recovery is occurring despite a very weak economy. He maintained that the first year of relief was a period of very weak industrial activity with the index of industrial production increasing by less than one percent. He also argued that weak demand has hampered profit recovery and the cash flow necessary to implement the planned adjustment measures and capital spending. Alan Wolff, counsel to Bethlehem Steel and U.S. Steel,

(continued...)

Thirty-five of 36 responding U.S. certain carbon and alloy flat-rolled steel producers and 60 of 67 responding certain carbon and alloy flat-rolled steel importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

Changes in U.S. Supply[6]

Prior to the imposition of section 201 tariff relief, several U.S. flat steel producers filed for bankruptcy and shut down their operations. Most importantly, LTV, a producer of hot- and cold-rolled sheet, galvanized sheet, tinplate, pipe and tubing with raw steel capacity of 8 million short tons filed for bankruptcy in December 2000 and closed its operations in December 2001. Other U.S. flat steel producers that filed for bankruptcy and shut down their operations prior to section 201 tariff relief include: Gulf States Steel (a producer of plate, hot-rolled, cold-rolled, and galvanized sheet with raw steel capacity of 1.5 million short tons) which filed for bankruptcy in July 1999 and shut down its operations in August 2000; Trico Steel (a producer of hot-rolled sheet with raw steel capacity of 2.2 million short tons) which filed for bankruptcy in March 2001 and shut down its operations in March 2001; Acme Metals (a producer of hot- and cold-rolled sheet with raw steel capacity of 1.2 million short tons) which filed for bankruptcy in September 1998 and shut down in October 2001; Great Lakes Metals (an electro-galvanizing processor) which filed for bankruptcy in April 2001 and shut down its operations in July 2001; GalvPro (a producer of galvanized sheet) which shut down its operations in March 2001 and filed for bankruptcy in August 2001; and Geneva Steel (a producer of plate, hot-rolled sheet, pipe, and slabs with raw steel capacity of 2.5 million short tons) which filed for bankruptcy in February 1999, emerged from bankruptcy as Geneva Steel Holdings in January 2001, shut down its operations in December 2001, and filed for bankruptcy again in January 2002.

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[5] (...continued)
transcript of Commission hearing (July 22, 2003) at 126. A third domestic producer testified that the flat steel industry continues to operate in a market with weakened demand in critical sectors such as construction. He also testified that ISG cut back its capital spending by around $50 million from what it planned on spending because the market was not evolving in the way that ISG would have liked. In addition, he characterized the economic environment as "horrible." Wilbur Ross, Chairman of the Board of Director and Director, ISG, transcript of Commission hearing (July 22, 2003) at 147, 231 and 238. A second domestic producer counsel argued that the United States may emerge from safeguard relief with a new competitive steel industry, but little demand for the steel that the competitive industry will produce. He stated that for the first time in post-World War II history, steel demand has not rebounded after a recession ended. He also maintained that total steel demand was 132 million tons in 2000, fell to 116 million tons in 2001, remained at that level in 2002, and looks to be flat or declining in 2003. Roger Shagrin, counsel to members of the 201-Flat-Rolled Coalition, transcript of Commission hearing (July 22, 2003) at 184. A fourth domestic producer characterized demand for cold-rolled sheet as "weak." Ed Puisis, CFO, Gallatin Steel Co., transcript of Commission hearing (July 22, 2003) at 187. A fifth domestic producer maintained that the manufacturing and residential construction sectors have not yet come out of the recession. Testimony of Daniel Dimicco, Vice-Chairman, President and CEO, Nucor Corp., transcript of Commission hearing (July 22, 2003) at 226. A sixth domestic producer stated that for industries that are more tightly related to consumer spending, such as automotive and appliance sectors, demand for flat steel has been "okay." However, he maintained that demand in the construction sector and in any sectors tied to business investment has been very weak. Roy Dorrance, Vice-Chairman, U.S. Steel Corp., transcript of Commission hearing (July 22, 2003) at 268. A U.S. importer maintained that domestic demand is going to be soft through the balance of the year, and the domestic producers are going to continue to struggle. Jeff Hoye, President, Corus America Inc., transcript of Commission hearing (July 22, 2003) at 403-404. Counsel also testified that demand for slab is very weak. Joe Dorn, counsel to AK Steel Corp., California Steel Industries, Inc., and Duferco Farrell Corp., transcript of Commission hearing (July 22, 2003) at 489.

[6] For purposes of this section of the report, ISG is counted as one firm.

Following imposition of the section 201 relief, three of these firms were acquired by other steel producing firms and were able to restart their operations. LTV's flat operations were acquired by ISG in April 2002 and were restarted in May and June 2002. Acme's flat rolling assets were acquired by ISG in October 2002 and restarted in December 2002. Trico Steel's flat operations were acquired by Nucor in July 2002 and restarted in September 2002. However, Cold Metal Products, a producer of cold-rolled sheet and strip, filed for bankruptcy and liquidated its Indianapolis, IN and Youngstown, OH plants in August 2002.[7] [8]

As shown in the table FLAT II-6, with the exception of efforts to increase product availability and decreasing order backlogs, the majority of certain carbon and alloy flat-rolled steel producers reported no changes in their marketing practices since March 20, 2002.

Table FLAT II-6
Certain carbon and alloy flat-rolled steel: U.S. producer responses to questions regarding firms' activities since March 20, 2002

	Number of producers	
Marketing practice	**No**	**Yes**
Efforts to increase product availability	15	23
Change in geographic market	34	3
Change in channels of distribution	35	3
Change in share of sales from inventory	29	3
Change in average lead times from inventory	29	3
Change in average lead times from production	18	17
Change in product range	32	6
Change in demand for or production of alternate products	32	5

	Increased	**Decreased**	**Stayed same**
Change in order backlogs	11	12	9
Change in on-time shipping percentage	10	4	22

Source: Compiled from data submitted in response to Commission questionnaires.

[7] *See* table FLAT I-3.

[8] A domestic producer testified that ISG eliminated a significant amount of outdated or redundant capacity. He stated that, ISG closed and is dismantling a 40-year old hot strip mill in Cleveland; shut down Acme Steel's old and inefficient blast furnace; and have not restarted previously idled capacity such as the plate mills owned by Bethlehem. Wilbur Ross, Chairman of the Board of Directors and Director, ISG, transcript of Commission hearing (July 22, 2003) at 140. Another domestic producer stated that there are absolutely no quality or capacity constraints on U.S. steel producers in supplying new domestic demand. Steve Rogers, Vice-President of Sales and Marketing, Ispat Inland Inc, transcript of Commission hearing (July 22, 2003) at 174. However, a representative of flat steel consumers maintained that U.S. steel producers do not produce enough steel to satisfy domestic demand. He stated that the U.S. market needs 20 to 30 million tons of steel imports every year, and if the U.S. manufacturing sector recovers, it may need even more imports to keep up with demand, especially on a cost-effective basis. William Gaskin, President, Precision Metalforming Association, transcript of Commission hearing (July 22, 2003) at 472.

One hundred seventy-seven of 340 responding certain carbon flat-rolled product purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. One hundred sixty-seven of 314 responding certain carbon and alloy flat-rolled steel purchasers reported increased average lead times for their purchases of domestic steel, 118 reported no change in domestic lead times, and 29 reported decreased domestic lead times. Certain carbon and alloy flat-rolled steel purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[9] Of 342 responding purchasers, 223 purchasers did not indicate that producers had taken any such actions. However, 27 of 342 responding purchasers reported that domestic producers had introduced new or innovative products, 35 reported that domestic producers had improved product quality, 42 reported that domestic producers had expanded marketing efforts, 38 reported that domestic producers had improved customer service, and 51 reported that domestic producers had made other positive adjustment efforts.[10]

Based on data compiled in this investigation, U.S. certain carbon and alloy flat-rolled steel producers' capacity utilization was 82.9 percent during April 2002-March 2003 and their inventories as a percentage of total shipments were 4.3 percent. Exports accounted for 1.4 percent of total shipments.

Changes in Import Supply

Imports of certain carbon and alloy flat-rolled steel from covered countries fell by 24.4 percent between the periods April 2001-March 2002 and April 2002-March 2003, whereas imports of certain flat-rolled steel from noncovered countries increased by 78.4 percent during the same period. Imports from all sources thus increased by 7.3 percent in the year since relief was imposed.[11]

The U.S. market share accounted for by imports of certain carbon and alloy flat-rolled steel from covered countries fell from 5.8 percent in April 2001-March 2002 to 4.1 percent in April 2002-March 2003. The U.S. market share accounted for by imports of certain carbon and alloy flat-rolled steel from noncovered countries increased from 2.6 percent in April 2001-March 2002 to 4.4 percent in April 2002-March 2003. The U.S. market share of total imports thus increased from 8.4 percent to 8.5 percent in the year since relief was imposed.[12]

As shown in the table FLAT II-7, the majority of certain carbon and alloy flat-rolled steel importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table FLAT II-8.

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[9] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[10] Some purchasers reported more than one of these actions.

[11] *See* table FLAT II-16.

[12] *See* table FLAT II-19.

Table FLAT II-7
Certain carbon and alloy flat-rolled steel: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	61	28
Change in geographic market	84	5
Change in channels of distribution	74	7
Change in share of sales from inventory	69	13
Change in average lead times from inventory	52	4
Change in average lead times from production	54	14
Change in product range	88	5
Change in demand for or production of alternate products	70	9
Importing of steel from foreign producers from which previously have not imported	71	15

	Increased	Decreased	Stayed same
Change in order backlogs	6	34	47
Change in on-time shipping percentage	6	13	70

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-8
Certain carbon and alloy flat-rolled steel: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Product	Capacity	Capacity utilization	Exports to the United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	513,733,149	94.0	1.2	2.4
Noncovered	70,342,368	90.2	7.8	3.8

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure FLAT-II-1 shows monthly shipments of certain flat products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and may differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the timeline),[13] start ups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates, while antidumping and countervailing duty orders are shown below the line.[14]

The supply of flat products in the United States was affected significantly by the shutdowns of steel operations, particularly by those of Acme in October 2001, and both Geneva and LTV in December 2001. The restart of the LTV operations by their new owner, International Steel Group (ISG), in May and June 2002, along with the restart of the former Trico plant by its new owner, Nucor, in September 2002, and the restart of the Acme plant by ISG in December 2002, restored most of the idled capacity to the market.

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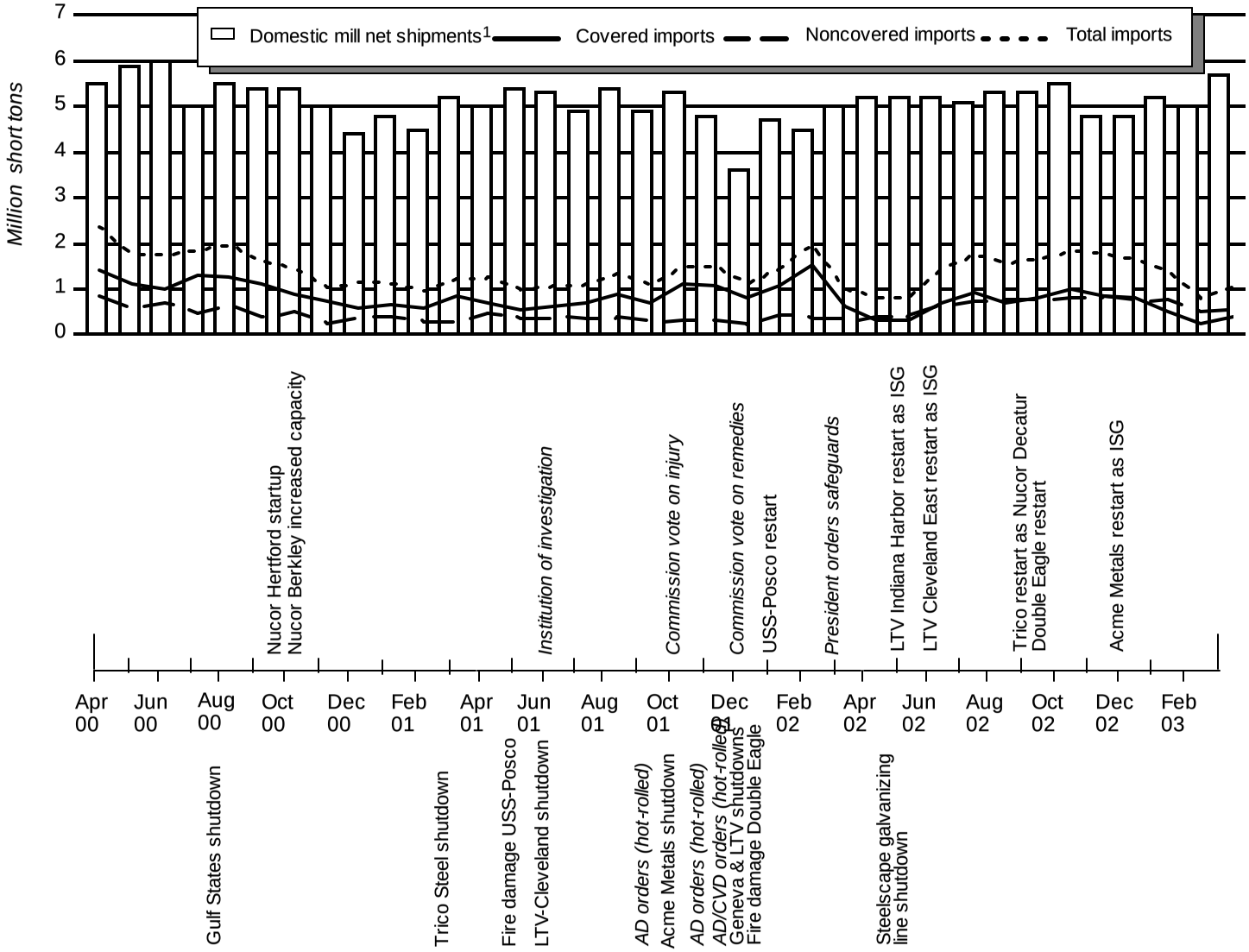
[13] Closures as a result of fire damages are shown below the line along with other shut downs. There were two such fires during the period examined. On May 31, 2001, a fire heavily damaged the cold-rolling operations at USS-POSCO's Pittsburg, CA facility. Finishing and shipment of products were halted after inventory in process was exhausted; however, the duration of the full interruption was limited. Finishing and shipping resumed, using product cold rolled in Korea or in U.S. Steel plants. The supply impact of the interruption was for a period of about 45 days, followed by a period of about 6 months during which imports from POSCO, the Korean parent company of USS-POSCO, were in the form of cold-rolled sheet rather than hot-rolled sheet. The fire damage was repaired and production resumed in January 2002. On December 15, 2001, a major fire damaged the Dearborn, MI coating line of Double Eagle Steel Co., jointly owned by U.S. Steel and Rouge Steel Co. Double Eagle is the world's largest electrogalvanizing facility. Repairs were made and production resumed in early September 2002. During the interruption, production was diverted to other coating lines and some customers may have opted to use hot-dip galvanized steel rather than electrogalvanized due to capacity restraints.

[14] Commerce imposed antidumping duty orders on hot-rolled carbon flat steel on the following dates: September 19, 2001 (Argentina and South Africa, 66 FR 48242 for both orders in one notice), November 21, 2001 (Kazakhstan, 66 FR 58435), November 29, 2001 (China, the Netherlands, Romania, Taiwan, Thailand, and Ukraine 66 FR 59561, 59565, 59566, 59563, 59562, and 59559, respectively), and December 3, 2001 (India and Indonesia, 66 FR 60194 and 60192, respectively). Commerce also imposed countervailing duty orders on hot-rolled carbon flat steel on the following dates: September 11, 2001 (Argentina, 66 FR 47173) and December 3, 2001 (India and Indonesia, 66 FR 60198 (for both orders in one notice), South Africa and Thailand, 66 FR 60201 and 60197, respectively).

Figure FLAT II-1
Certain flat steel: Monthly imports and monthly domestic mill net shipments, antidumping (AD) and countervailing duty (CVD) orders, facility shutdowns and startups or restarts, and investigation milestones, April 2000-March 2003



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Information on U.S. producers' capacity, production, shipments, inventories, and employment are presented in tables FLAT II-9 through FLAT II-14, respectively.[15] The Commission received usable questionnaire responses from 115 producers of certain carbon and alloy flat-rolled steel, many of which produced more than one form of the product (15 slab producers,[16] 14 plate producers,[17] 24 hot-rolled producers,[18] 25 cold-rolled producers,[19] and 21 coated producers).[20] Responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003.

As presented in table FLAT II-9, reporting U.S. producers' aggregate output-related indicators were mixed in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity (plate and hot-rolled only) increased from 83.0 million short tons to 87.1 million short tons, while its production increased from 66.7 million short tons to 71.2 million short tons.[21] Capacity utilization increased from 80.4 percent to 81.7 percent. Overall, however, capacity and production in the period April 2002 to March 2003 were higher than in the period April 2000 to March 2001, while capacity utilization was comparable.

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[15] This analysis generally relies on combined data for the five types of certain carbon and alloy flat-rolled steel. However, some combined data–for production and capacity, for example–may involve double-counting, and therefore, additional data tables concerning slab, plate, hot-rolled, cold-rolled, and coated are presented separately in app. F.

[16] The following firms reported calendar-year 2000 production capacity (in short tons) in the section 201 investigation but did not provide data in this investigation: ***.

[17] The following firms reported calendar-year 2000 production capacity (in short tons) in the section 201 investigation but did not provide data in this investigation: ***.

[18] The following firms reported calendar-year 2000 production capacity (in short tons) in the section 201 investigation but did not provide data in this investigation: ***.

[19] The following firms reported calendar-year 2000 production capacity (in short tons) in the section 201 investigation but did not provide data in this investigation: ***.

[20] The following firms reported calendar-year 2000 production capacity (in short tons) in the section 201 investigation but did not provide data in this investigation: ***.

[21] Because of the sequential nature of production and further processing of many of the forms of flat-rolled steel, the combined capacity and production of plate and hot-rolled steel provides a useful proxy for actual capacity and production and for derivative calculations, such as capacity utilization.

Table FLAT II-9
Certain carbon and alloy flat-rolled steel: U.S. producers' capacity, production, and capacity utilization, by form, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Capacity:			
Slab	68,381,515	66,854,548	69,565,244
Plate	7,635,237	8,579,041	8,701,618
Hot-rolled	76,869,172	74,371,412	78,425,790
Cold-rolled	45,036,069	42,204,169	44,865,169
Coated	25,085,424	24,625,776	25,086,790
Total[1]	223,007,417	216,634,946	226,644,611
Plate and hot-rolled only[2]	84,504,409	82,950,453	87,127,408
Production:			
Slab	59,277,687	57,019,459	60,393,082
Plate	5,177,644	5,837,256	5,861,837
Hot-rolled	63,673,426	60,888,386	65,354,890
Cold-rolled	35,934,790	32,953,278	35,860,330
Coated	19,739,355	19,159,340	20,425,629
Total[1]	183,802,902	175,857,719	187,895,768
Plate and hot-rolled only[2]	68,851,070	66,725,642	71,216,727
	Ratio *(percent)*		
Capacity utilization:			
Slab	86.7	85.3	86.8
Plate	67.8	68.0	67.4
Hot-rolled	82.8	81.9	83.3
Cold-rolled	79.8	78.1	79.9
Coated	78.7	77.8	81.4
Average[1]	82.4	81.2	82.9
Average, plate and hot-rolled only[2]	81.5	80.4	81.7

[1] Caution should be used in interpreting the data presented in this table because of the potential for multiple counting (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc.).

[2] It is believed that double-counting of plate and hot-rolled is minimal. However, data will be understated by the amount of imported hot-rolled or cold-rolled steel that is processed by domestic producers into other downstream forms of certain carbon and alloy flat-rolled steel.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-10
Certain carbon and alloy flat-rolled steel: U.S. producers' U.S. shipments, by form, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Slab	59,008,980	57,301,971	60,930,250
Plate	4,956,588	5,572,296	5,627,293
Hot-rolled	63,565,030	60,636,492	64,155,454
Cold-rolled	35,504,481	32,419,080	34,835,165
Coated	18,936,144	18,474,872	19,332,808
Total[1]	181,971,223	174,404,711	184,880,970
		Value *($1,000)*	
Slab	13,150,655	12,280,452	13,520,450
Plate	1,960,014	2,041,490	2,106,885
Hot-rolled	17,844,679	15,335,694	19,775,888
Cold-rolled	14,251,059	11,794,652	14,064,455
Coated	10,091,493	9,016,238	10,294,174
Total[1]	57,297,900	50,468,526	59,761,852
		Unit value *(per short ton)*	
Slab	$223	$214	$222
Plate	395	366	374
Hot-rolled	281	253	308
Cold-rolled	401	364	404
Coated	533	488	532
Average[1]	315	289	323

[1] Caution should be used in interpreting the data presented in this table because of the potential for multiple counting (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc.)

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-11
Certain carbon and alloy flat-rolled steel: U.S. producers' commercial U.S. shipments, by form, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Slab	94,878	163,925	736,687
Plate	4,786,755	5,166,420	5,208,697
Hot-rolled	21,997,984	22,568,773	23,680,190
Cold-rolled	14,471,255	12,637,170	13,757,630
Coated	18,287,983	17,728,258	18,633,634
Total	59,638,855	58,264,546	62,016,838
		Value *($1,000)*	
Slab	19,717	37,138	170,612
Plate	1,888,004	1,874,652	1,924,736
Hot-rolled	6,494,970	5,673,347	7,500,956
Cold-rolled	6,208,491	4,806,921	5,926,559
Coated	9,771,035	8,711,741	9,985,617
Total	24,382,217	21,103,799	25,508,480
		Unit value *(per short ton)*	
Slab	$208	$227	$232
Plate	394	363	370
Hot-rolled	295	251	317
Cold-rolled	429	380	431
Coated	534	491	536
Average	409	362	411

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-12
Certain carbon and alloy flat-rolled steel: U.S. producers' export shipments, by form, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Slab	12,023	37,308	57,167
Plate	222,868	187,956	266,202
Hot-rolled	489,273	382,833	914,969
Cold-rolled	530,057	529,550	609,972
Coated	785,038	771,022	753,597
Total	2,039,259	1,908,669	2,601,907
		Value *($1,000)*	
Slab	2,615	7,279	12,463
Plate	91,491	73,612	98,394
Hot-rolled	155,992	115,402	271,289
Cold-rolled	278,857	245,998	291,047
Coated	500,348	485,098	470,841
Total	1,029,303	927,389	1,144,034
		Unit value *(per short ton)*	
Slab	$217	$195	$218
Plate	411	392	370
Hot-rolled	319	301	297
Cold-rolled	526	465	477
Coated	637	629	625
Average	505	486	440

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-13
Certain carbon and alloy flat-rolled steel: U.S. producers' end-of-period inventories, by form, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Slab	2,518,204	2,277,739	2,239,626
Plate	346,258	395,368	362,079
Hot-rolled	2,319,339	2,195,422	1,805,497
Cold-rolled	1,878,229	1,684,954	1,611,890
Coated	1,888,019	1,840,569	1,987,490
Total	8,950,049	8,394,052	8,006,582
		Ratio to total shipments *(percent)*	
Slab	4.3	4.0	3.7
Plate	6.7	6.9	6.1
Hot-rolled	3.6	3.6	2.8
Cold-rolled	5.2	5.1	4.5
Coated	9.6	9.6	9.9
Average[1]	4.9	4.8	4.3

[1] May be understated to the extent that there is multiple counting of the denominator (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc., and therefore total shipments can include shipments of slab and shipments of forms made from it in the same reporting period). There is no double counting of inventories since they are reported as of March 31 of each year.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-14
Certain carbon and alloy flat-rolled steel: U.S. producers' production and related workers, hours worked, wages paid, hourly wages, productivity, and unit labor costs, by form, April 2000-March 2003[1]

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Production and related workers	
Slab	17,264	16,876	16,813
Plate	5,005	4,958	4,539
Hot-rolled	27,588	27,427	24,968
Cold-rolled	27,674	26,467	23,199
Coated	23,605	23,765	20,065
Total	101,136	99,494	89,584
		Hours worked *(1,000 hours)*	
Slab	37,140	35,465	36,388
Plate	***	***	***
Hot-rolled	61,006	55,164	54,219
Cold-rolled	61,091	52,979	49,476
Coated	***	***	***
Total	219,046	197,482	189,006
		Wages paid *($1,000)*	
Slab	970,827	948,109	998,839
Plate	***	***	***
Hot-rolled	1,577,142	1,453,680	1,476,556
Cold-rolled	1,629,793	1,453,709	1,406,946
Coated	***	***	***
Total	5,771,065	5,344,037	5,291,435
		Hourly wages	
Slab	$26.14	$26.73	$27.45
Plate	***	***	***
Hot-rolled	25.85	26.35	27.23
Cold-rolled	26.68	27.44	28.44
Coated	***	***	***
Average	26.38	27.09	28.04
		Productivity *(short tons per 1,000 hours)*	
Slab	***	***	***
Plate	***	***	***
Hot-rolled	***	***	***
Cold-rolled	***	***	***
Coated	***	***	***
Average[2]	***	***	***
		Unit labor costs *(per short ton)*	
Slab	***	***	***
Plate	***	***	***
Hot-rolled	***	***	***
Cold-rolled	***	***	***
Coated	***	***	***
Average[2]	***	***	***

[1] The following firms did not provide employment data for the specified products: slab (***); plate (***); hot-rolled (***), cold-rolled (***), and coated (***). Hourly wages, productivity, and unit labor costs are calculated from data of these firms providing both numerator and denominator information for the specified products.

[2] Caution should be used in interpreting the average productivity and unit labor cost data presented in this table because of the potential for multiple counting of the production component of the ratio (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc. and forms produced in the same reporting period will be double counted in that period). Therefore, productivity will be overstated and unit labor costs understated to the extent of the multiple counting.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

As presented in table FLAT II-10, the domestic industry's aggregate U.S. shipment volume increased by 6.0 percent in the period April 2002 to March 2003. U.S. shipments of each of the subject constituent forms[22] of flat-rolled steel also increased during this period, ranging from a low of 1.0 percent for plate to a high of 7.5 percent for cold-rolled steel. Aggregate U.S. shipments in the period April 2002 to March 2003, however, were only 1.6 percent higher than in the period April 2000 to March 2001. Indeed, while U.S. shipments of plate were as much as 13.5 percent higher in the period April 2002 to March 2003 than in the period April 2000 to March 2001, U.S. shipments of cold-rolled steel were actually 1.9 percent lower.

As noted in Table FLAT I-3, a number of flat-rolled steel mills closed over the period examined. The closure of mills such as Geneva Steel, Gulf States Steel, and Kentucky Electric Steel, and their corresponding absence from the data collected, would tend to overstate a trend of increasing capacity, shipments, and other performance indicators or understate a declining trend of such indicators over the period examined.

As presented in table FLAT II-14, the number of production and related workers employed declined by 10.0 percent in the period April 2002 to March 2003, and was 11.4 percent lower than in the period from April 2000 to March 2001. Productivity, while difficult to measure in the aggregate, increased by 12.5 percent; productivity gains, combined with a more modest increase in the hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003. These trends of declining workers employed, increasing productivity, and lower unit labor costs were observable across all subject forms of flat-rolled steel, though they were least pronounced in slab operations and most pronounced in cold-rolled and coated steel operations.

FINANCIAL DATA

Financial data concerning U.S. companies producing certain carbon and alloy flat-rolled steel are presented in table FLAT II-15. U.S. firms were requested to provide information on pension expenses, post-employment expenses other than pensions (OPEBs), and whether they received income under the Continued Dumping and Subsidy Offset Act (CDSOA funds, also known as "Byrd Amendment funds"). Twenty-nine of the 43 firms submitting data on certain carbon and alloy flat-rolled steel reported pension expenses. All but one firm (***) reported pension credits/expenses in their financials under "other factory costs" or "direct labor" (components of COGS), and 18 of those companies also indicated that some portion of pension expenses were reported under SG&A. *** reported pension expenses under "other expenses."

Twenty-three firms reported OPEBs for certain carbon and alloy flat-rolled steel. In nearly every case, OPEB expenses were reported in the same financial statement line items as pension expenses. The exceptions were ***, which reported OPEBs under other factory costs, and ***, which reported OPEBs under direct labor and SG&A rather than under other factory costs.

Eleven firms reported income from CDSOA funds for certain carbon and alloy flat-rolled steel. *** reported revenue from the funds under "other income." Six reported income from CDSOA funds under one or more COGS components, and the

[22] Additional data for slab, plate, hot-rolled steel, cold-rolled steel, and coated steel appear in app. F.

Table FLAT II-15
Certain carbon and alloy flat-rolled steel: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Net commercial sales	61,453,780	59,906,344	64,554,417
		Value *($1,000)*	
Net commercial sales	25,337,838	21,937,717	26,636,230
COGS	25,257,242	23,095,171	24,532,799
Gross profit or (loss)	80,596	(1,157,454)	2,103,431
SG&A expenses	1,336,738	1,203,328	1,275,538
Operating income or (loss)	(1,256,142)	(2,360,782)	827,893
Interest expense	690,431	684,700	559,679
Other (income)/expenses, net	(130,870)	(54,426)	(137,788)
Net income or (loss)	(1,815,703)	(2,991,056)	406,002
Depreciation/amortization	1,537,225	1,525,738	1,333,808
Cash flow	(278,478)	(1,465,318)	1,739,810
CDSOA funds received	0	8,900	7,519
Pension (credit)/expense	179,425	422,377	856,743
Other post-employment benefits	426,928	436,279	732,709
Capital expenditures	1,405,380	766,287	511,097
R&D expenses	60,583	53,866	46,765
		Ratio to net commercial sales *(percent)*	
COGS	99.7	105.3	92.1
Gross profit or (loss)	0.3	(5.3)	7.9
SG&A expenses	5.3	5.5	4.8
Operating income or (loss)	(5.0)	(10.8)	3.1
Net income or (loss)	(7.2)	(13.6)	1.5
		Unit value (*per short ton*)	
Net commercial sales	$412	$366	$413
COGS total	411	386	380
Raw materials	173	164	173
Direct labor	53	48	41
Other factory costs	185	173	166
Gross profit or (loss)	1	(19)	33
SG&A expenses	22	20	20
Operating income or (loss)	(20)	(39)	13
		Number of firms reporting	
Operating losses	25	29	14
Data	42	43	43

Source: Compiled from data submitted in response to Commission questionnaires.

remaining firm reported the income under SG&A.[23] Commission staff removed income from CDSOA funds from all line items above operating income and reported the revenue under other income for all companies. In every case, income from CDSOA funds was immaterial to a firm's financial statements.[24]

As presented in Table FLAT II-15, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following declines in the previous 12-month period, and were higher than the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased from $366 to $413, and were equivalent to the $412 average unit value for the period from April 2000 to March 2001.

Cost of goods sold (COGS) declined on a unit basis, notwithstanding an increase in unit raw materials costs. Because unit revenues increased while unit costs declined, and sales volume increased, the industry's financial performance improved in the period April 2002 to March 2003. Its operating margin in the period April 2002 to March 2003 was 3.1 percent. By contrast, the certain carbon and alloy flat-rolled steel industry recorded operating losses of 10.8 percent in the period April 2001 to March 2002 and 5.0 percent in the period April 2000 to March 2001.

U.S. IMPORTS

Table FLAT II-16 presents data on U.S. imports of certain carbon and alloy flat-rolled steel, by sources, for the period April 2000-March 2003. Table FLAT II-17 presents data on U.S. imports from covered sources, by tariff categories during April 2002-March 2003. Table FLAT II-18 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table FLAT II-16, in the period April 2002 to March 2003, total imports increased, as the increase in imports from sources not covered by the safeguard measure was greater than the decline in imports from covered sources. The quantity of total imports increased from 15,998,677 short tons to 17,166,839 short tons. Imports from countries covered by the safeguard measure declined from 11,065,158 short tons to 8,366,746 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 4,933,519 short tons to 8,800,093 short tons.[25] Imports from Canada and Mexico represent the largest portion of this increase.

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[23] *** reported income from CDSOA funds under COGS (without specifying which COGS component), and *** reported the income under other factory costs. *** reported the income under SG&A.

[24] No firms reported income from CDSOA funds received for slab. Four firms reported receiving income from CDSOA funds for plate, and six firms reported income from CDSOA funds for hot-rolled. Nine firms reported receiving CDSOA funds for cold-rolled, and eight firms reported CDSOA funds for coated.

[25] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 13.3 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 16.1 percent. The average unit values of all imports increased by 16.6 percent in the first 12 months of the section 203 safeguard measure, and was 0.2 percent higher than in the period April 2000 to March 2001. In terms of individual forms of flat-rolled steel, the average unit values for all imports of slab and coated steel increased most noticeably in the first 12 months of the section 203 safeguards measure, while the average unit value for all imports of plate increased the least.

Table FLAT II-16
Certain carbon and alloy flat-rolled steel: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
	Quantity *(short tons)*			*Percent*
Covered sources[1]	12,256,742	11,065,158	8,366,746	-24.4
Noncovered sources:[2]				
Canada	1,595,880	1,575,367	2,469,492	56.8
Mexico	2,287,981	1,801,422	3,191,891	77.2
Subtotal	3,883,861	3,376,789	5,661,383	67.7
All others	2,697,920	1,556,730	3,138,710	101.6
Subtotal (noncovered)	6,581,781	4,933,519	8,800,093	78.4
Total (all imports)	18,838,524	15,998,677	17,166,839	7.3
	Landed, duty paid value *($1,000)*			
Covered sources[1]	4,125,068	3,091,312	2,649,396	-14.3
Noncovered sources:[2]				
Canada	683,132	646,157	1,079,589	67.1
Mexico	650,306	450,048	928,766	106.4
Subtotal	1,333,438	1,096,205	2,008,355	83.2
All others	818,507	393,476	1,075,691	173.4
Subtotal (noncovered)	2,151,945	1,489,681	3,084,046	107.0
Total (all imports)	6,277,014	4,580,993	5,733,442	25.2
	Unit value *(per short ton)*			
Covered sources[1]	$337	$279	$317	13.3
Noncovered sources:[2]				
Canada	428	410	437	6.6
Mexico	284	250	291	16.5
Average	343	325	355	9.3
All others	303	253	343	35.6
Average (noncovered)	327	302	350	16.1
Average (all imports)	333	286	334	16.6
	Share of total imports based on quantity *(percent)*			*Percentage point*
Covered sources[1]	65.1	69.2	48.7	-20.4
Noncovered sources:[2]				
Canada	8.5	9.8	14.4	4.5
Mexico	12.1	11.3	18.6	7.3
Subtotal	20.6	21.1	33.0	11.9
All others	14.3	9.7	18.3	8.6
Subtotal (noncovered)	34.9	30.8	51.3	20.4
Total (all imports)	100.0	100.0	100.0	0.0
	Ratio of imports to production *(percent)*			
Covered sources[1]	6.7	6.3	4.5	-1.8
Noncovered sources	3.6	2.8	4.7	1.9
Total	10.2	9.1	9.1	0.0

[1] Although Brazil is generally exempt from the section 203 relief, it is a covered source with respect to imports of certain carbon and alloy flat-rolled steel.

[2] For the following forms of flat-rolled steel, 8 countries had imports accounting for 3 percent or more of the quantity of total U.S. imports during April 2002-March 2003: plate (Bulgaria (3.9 percent), Czech Republic (9.9 percent), and Romania (14.6 percent)); hot-rolled (Egypt (5.8 percent), Thailand (3.5 percent), and Turkey (6.9 percent)); cold-rolled (Chile (4.4 percent) and Turkey (4.4 percent)); and coated (India (16.7 percent)).

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table FLAT II-17
Certain carbon and alloy flat-rolled steel: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table FLAT II-18
Certain carbon and alloy flat-rolled steel: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	9,561,148	9,290,754	9,256,765
End-of-period inventories	1,194,852	1,393,758	1,223,357
Noncovered sources:			
U.S. shipments of imports	5,360,708	5,203,511	6,918,989
End-of-period inventories	480,134	425,938	562,748
Total:			
U.S. shipments of imports	14,921,856	14,494,265	16,175,754
End-of-period inventories	1,674,986	1,819,696	1,786,105
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	12.5	15.0	13.2
Noncovered sources	9.0	8.2	8.1
Average	11.2	12.6	11.0

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

As shown in Table FLAT II-17, imports excluded from additional tariffs accounted for most (*** percent by quantity) imports from covered sources in the period April 2002 to March 2003. The vast majority of these imports excluded from additional tariffs consisted of slab imports below the applicable TRQ threshold. Virtually all slab imports in the period April 2002 to March 2003 were not subject to additional tariffs (see Table OVERVIEW I-6). The total quantity of slab imports (*** short tons) was well below the overall TRQ threshold applicable to the First Relief Year (5.40 million short tons) set out in the Presidents proclamation imposing relief.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of certain carbon and alloy flat-rolled steel are presented in table FLAT II-19 and figure FLAT II-2.

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for flat-rolled steel either rose very modestly or declined, and most of the responding U.S. flat-rolled steel producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table FLAT II-19, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of flat-rolled steel increased by 6.1 percent in the period April 2002 to March 2003, and at the conclusion of this period was 0.6 percent above the level of the period from April 2000 to March 2001.[26] Calculated individually for the constituent subject forms of flat-rolled steel, apparent U.S. consumption increased by as much as 8.4 percent hot-rolled steel but decreased by 4.1 percent for plate in the period April 2002 to March 2003.

In the period April 2002 to March 2003, the domestic industry's share of the U.S. market decreased modestly from 91.6 percent to 91.5 percent. Imports from covered countries saw their market share decrease from 5.8 percent to 4.1 percent, while imports from noncovered countries saw their market share increase from 2.6 percent to 4.4 percent. Among the constituent forms of flat-rolled steel, the largest increases in the domestic industry's share of the U.S. market was for plate (increasing by 4.4 percentage points) and the largest decrease was for hot-rolled steel (decreasing by 2.3 percentage points). The latter form of flat-rolled steel was the only one for which imports from covered countries increased their share of the U.S. market in the period April 2002 to March 2003.

[26] As noted in Table FLAT I-3, a number of flat-rolled steel mills closed over the period examined. The closure of mills such as Geneva Steel, Gulf States Steel, and Kentucky Electric Steel, and the corresponding absence of their data from the data collected, would tend to overstate a trend of increasing apparent U.S. consumption, or understate a trend of declining consumption, over the period examined.

Table FLAT II-19
Certain carbon and alloy flat-rolled steel: U.S. producers' U.S. shipments, U.S. imports, by source, apparent U.S. consumption, and market shares, by form, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Producers' U.S. shipments:			
Slab	59,008,980	57,301,971	60,930,250
Plate	4,956,588	5,572,296	5,627,293
Hot-rolled	63,565,030	60,636,492	64,155,454
Cold-rolled	35,504,481	32,419,080	34,835,165
Coated	18,936,144	18,474,872	19,332,808
Total[1]	181,971,223	174,404,711	184,880,970
U.S. imports from covered sources:			
Slab	4,526,237	5,075,704	4,539,802
Plate	652,347	652,737	195,241
Hot-rolled	3,708,787	1,839,439	2,240,618
Cold-rolled	2,079,737	2,276,229	548,229
Coated	1,289,633	1,221,049	842,857
Total	12,256,742	11,065,158	8,366,746
U.S. imports from noncovered sources:			
Slab	1,897,202	1,509,273	2,482,769
Plate	312,251	358,046	493,828
Hot-rolled	2,578,556	1,338,168	2,760,986
Cold-rolled	800,566	694,073	1,156,511
Coated	993,207	1,033,959	1,906,000
Total	6,581,781	4,933,519	8,800,093
Total imports	18,838,524	15,998,677	17,166,839
Apparent U.S. consumption[1]	200,809,747	190,403,388	202,047,809
		Value *($1,000)*	
Producers' U.S. shipments:			
Slab	13,150,655	12,280,452	13,520,450
Plate	1,960,014	2,041,490	2,106,885
Hot-rolled	17,844,679	15,335,694	19,775,888
Cold-rolled	14,251,059	11,794,652	14,064,455
Coated	10,091,493	9,016,238	10,294,174
Total[1]	57,297,900	50,468,526	59,761,852
U.S. imports from covered sources:			
Slab	962,734	837,269	939,733
Plate	272,760	267,483	100,955
Hot-rolled	1,151,042	516,360	758,461
Cold-rolled	1,006,054	859,332	338,442
Coated	732,479	610,867	511,805
Total	4,125,068	3,091,312	2,649,396
U.S. imports from noncovered sources:			
Slab	422,348	284,778	557,394
Plate	110,466	120,801	172,075
Hot-rolled	769,845	341,369	868,007
Cold-rolled	310,108	221,186	460,847
Coated	539,179	521,548	1,025,723
Total	2,151,945	1,489,681	3,084,046
Total imports	6,277,014	4,580,993	5,733,442
Apparent U.S. consumption	63,574,914	55,049,519	65,495,294

Table continued. See footnotes at end of table.

Table FLAT II-19–*Continued*
Certain carbon and alloy flat-rolled steel: U.S. producers' U.S. shipments, U.S. imports, by source, apparent U.S. consumption, and market shares, by form, April 2000-March 2003

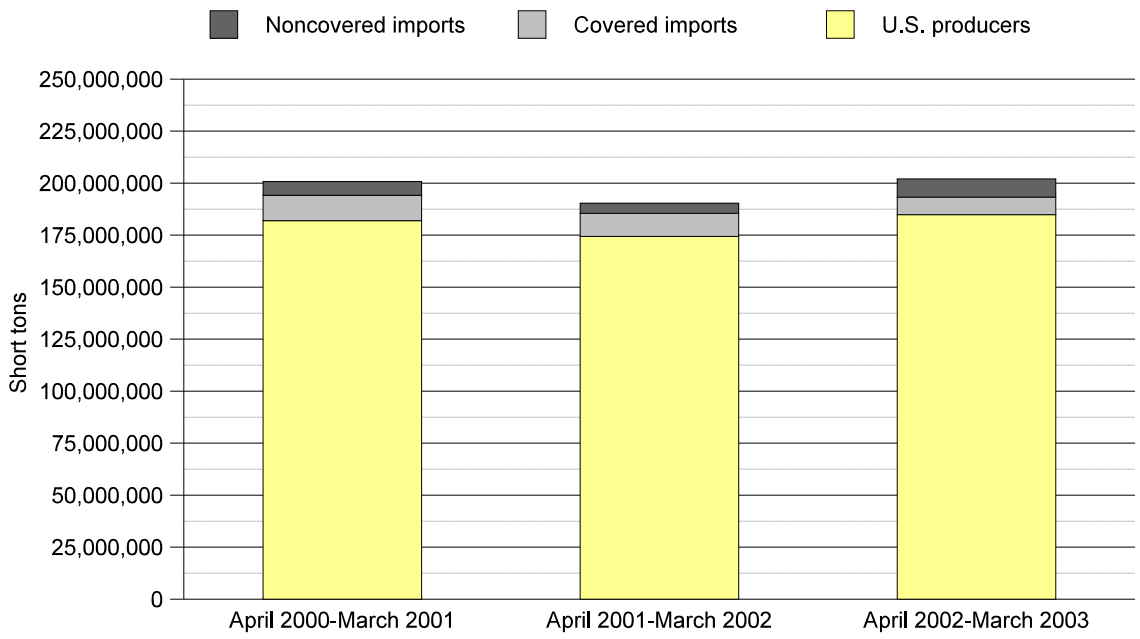
Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Share of quantity *(percent)*	
Producers' U.S. shipments:			
Slab	29.4	30.1	30.2
Plate	2.5	2.9	2.8
Hot-rolled	31.7	31.8	31.8
Cold-rolled	17.7	17.0	17.2
Coated	9.4	9.7	9.6
Total[1]	90.6	91.6	91.5
U.S. imports from covered sources:			
Slab	2.3	2.7	2.2
Plate	0.3	0.3	0.1
Hot-rolled	1.8	1.0	1.1
Cold-rolled	1.0	1.2	0.3
Coated	0.6	0.6	0.4
Total	6.1	5.8	4.1
U.S. imports from noncovered sources:			
Slab	0.9	0.8	1.2
Plate	0.2	0.2	0.2
Hot-rolled	1.3	0.7	1.4
Cold-rolled	0.4	0.4	0.6
Coated	0.5	0.5	0.9
Total	3.3	2.6	4.4
Total imports	9.4	8.4	8.5
		Share of value *(percent)*	
Producers' U.S. shipments:			
Slab	20.7	22.3	20.6
Plate	3.1	3.7	3.2
Hot-rolled	28.1	27.9	30.2
Cold-rolled	22.4	21.4	21.5
Coated	15.9	16.4	15.7
Total[1]	90.1	91.7	91.2
U.S. imports from covered sources:			
Slab	1.5	1.5	1.4
Plate	0.4	0.5	0.2
Hot-rolled	1.8	0.9	1.2
Cold-rolled	1.6	1.6	0.5
Coated	1.2	1.1	0.8
Total	6.5	5.6	4.0
U.S. imports from noncovered sources:			
Slab	0.7	0.5	0.9
Plate	0.2	0.2	0.3
Hot-rolled	1.2	0.6	1.3
Cold-rolled	0.5	0.4	0.7
Coated	0.8	0.9	1.6
Total	3.4	2.7	4.7
Total imports	9.9	8.3	8.8

[1] Caution should be used in interpreting the data presented in this table because of the potential for multiple counting of producers U.S. shipments (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc.)

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure FLAT II-2
Certain carbon and alloy flat-rolled steel: Apparent U.S. consumption, by sources, April 2000-March 2003



Note–Caution should be used in interpreting the data presented in this figure because of the potential for multiple counting of producers' U.S. shipments (e.g., slabs are typically an upstream form of hot-rolled which in turn is typically an upstream form of most cold-rolled, etc.)

Source: Table FLAT II-19.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses[27]

U.S. certain carbon and alloy flat-rolled steel producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table FLAT II-20 and FLAT II-21). U.S. certain carbon and alloy flat-rolled steel purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table FLAT II-22).

The three factors rated most important by U.S. certain carbon and alloy flat-rolled steel producers were: changes in demand for steel within the United States; changes in the level of competition from imports from excluded countries; and changes in competition between U.S. producers. The three factors rated most important by certain carbon and alloy flat-rolled steel importers were: changes in demand for steel; changes in competition between U.S. producers; and changes in U.S. production capacity. The three factors rated most important by certain carbon and alloy flat-rolled steel purchasers were: changes in U.S. production capacity; changes in demand for steel within the United States; and changes in the cost of raw materials.[28]

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[27] For purposes of this section of the report, ISG is counted as one firm.

[28] Available information concerning changes in U.S. demand for certain carbon and alloy flat-rolled steel products is mixed. Most U.S. producers and importers reported that U.S. demand for certain carbon and alloy flat-rolled steel products decreased since March 20, 2002. However, apparent consumption of certain carbon and alloy flat-rolled steel products increased by 6.1 percent between April 2001-March 2002 and April 2002-March 2003 (table FLAT II-19). The industrial production index showed little change since April 2002, whereas the durable goods production index increased by 3.2 percent during the same time frame (figure OVERVIEW II-2). As previously mentioned, manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003, while non-residential construction put in place decreased by 4.8 percent during the same time frame (table OVERVIEW II-1).

Imports of certain carbon and alloy flat-rolled products from noncovered sources increased sharply, by 78.4 percent between April 2001-March 2002 and April 2002-March 2003 (table FLAT II-16). The changes in domestic capacity cited by importers and purchasers likely refer to major events such as the shutdown of LTV's steelmaking operations in December 2001, and the subsequent ISG startup of selected steelmaking facilities in May of 2002. Available information suggests that raw material costs increased significantly since March 20, 2002. Unit raw materials costs for slab, plate, hot-rolled sheet, cold-rolled sheet, and coated sheet all increased between April 2001-March 2002 and April 2002-March 2003 (table FLAT II-15). Prices for steel scrap as of March 2003 had increased by 30.8 percent since April 2002 (figure OVERVIEW II-12).

Table FLAT II-20
Certain carbon and alloy flat-rolled steel: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel within the United States	1.6	1	8	26
Changes in the level of competition from imports from excluded countries	1.7	9	12	16
Changes in competition between U.S. producers	1.7	10	17	10
Changes in U.S. production capacity	1.8	7	10	17
Changes in the level of competition from imports from non-excluded countries	1.9	15	11	11
Changes in demand for steel outside the United States	2.1	12	14	6
Changes in energy costs	2.2	23	15	0
Changes in the cost of raw materials	2.2	20	16	1
Changes in transportation/delivery cost changes	2.6	20	17	1
Changes in labor agreements, contracts, etc.	2.7	2	27	9
Changes in the productivity of domestic producers	2.7	5	26	7
Changing market patterns	3.2	0	31	4
Changes in the level of competition from substitute products	3.3	0	38	0
Changes in the allocation of production capacity to alternate products	3.4	1	35	1

[1] The numbers in this column represents the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-21
Certain carbon and alloy flat-rolled steel: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel	1.7	13	23	52
Changes in competition between U.S. producers	1.9	32	35	20
Changes in U.S. production capacity	2.0	31	27	25
Changes in the level of competition by imports	2.0	24	39	25
Changes in the cost of raw materials	2.2	52	32	3
Changes in the productivity of domestic producers	2.5	14	56	16
Changes in energy costs	2.6	53	34	0
Changing market patterns	2.7	13	63	12
Changes in transportation/delivery cost changes	2.7	45	43	1
Changes in labor agreements, contracts, etc.	2.8	15	60	11
Changes in the level of competition from substitute products	3.2	6	79	3
Changes in the allocation of production capacity to alternate products	3.3	8	75	1

[1] The numbers in this column represents the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-22
Certain carbon and alloy flat-rolled steel: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1] Ranking	Influence of factors[2] I	N	D
Changes in U.S. production capacity	1.8	126	99	85
Changes in demand for steel within the United States	1.8	55	97	160
Changes in the cost of raw materials	1.9	181	113	7
Changes in competition between U.S. producers	1.9	125	135	58
Changes in the level of competition from imports from non-excluded countries	2.1	99	107	93
Changes in energy costs	2.2	205	107	3
Changes in demand for steel outside the United States	2.3	136	108	36
Changes in transportation/delivery cost changes	2.4	178	134	3
Changing market patterns	2.5	67	179	42
Changes in the productivity of domestic producers	2.5	54	186	64
Changes in the level of competition from imports from excluded countries	2.5	73	175	62
Changes in labor agreements, contracts, etc.	2.6	44	203	48
Changes in the allocation of production capacity to alternate products	3.1	46	240	8
Changes in the level of competition from substitute products	3.3	26	269	14

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all purchasers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. certain carbon and alloy flat-rolled steel producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Twenty-eight of 37 responding U.S. certain carbon and alloy flat-rolled steel producers and 65 of 77 responding certain carbon and alloy flat-rolled steel importers reported that there has not been a change in the share of their sales that are made pursuant to contracts versus spot sales. Twenty-two of 32 responding U.S. certain carbon and alloy flat-rolled steel producers and 35 of 60 certain carbon and alloy flat-rolled steel importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag behind spot prices and are not as volatile.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following eight certain carbon and alloy flat-rolled pricing products during April 2000-March 2003:

Product 1–**Low carbon slab with chemistries of up to 0.15 max carbon and 0.60 max manganese exclusive of IF or specialty chemistries.** This commodity product is used by steel mills as a material input to produce hot-rolled sheet or plate. The hot-rolled sheet may be further processed to produce cold-rolled steel, corrosion-resistant products, tin mill products, and welded pipe and tubular products.

Product 2–**Hot-rolled carbon steel plate, ASTM A-36 or equivalent as rolled, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, over 72" through 96" in width, 1.00" through 2.00" in thickness. Not including high-strength or mill proprietary products, or products tested to other specifications, unless otherwise noted.** This commodity product is used in riveted, bolted, or welded construction of buildings, bridges, work platforms, and for general structural purposes.

Product 3A–**Hot-rolled carbon steel plate in coils, as-rolled (unprocessed), not pickled or temper-rolled, not high-strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A-36), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width.** This commodity product is used for the manufacture of pipe and tube, plumbing equipment, framing and related products, vehicles, parts and accessories, construction and materials handling equipment, agricultural machinery, and cut-to-length plate.

Product 3B–**Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM A-569 equivalent, not high-strength, not pickled and oiled, not temper-rolled, 0.090" through 0.171" in nominal or actual thickness, 40" to 60" in width.** This commodity product is used in automotive/truck frames, shelving, automotive wheels, manufacture of pipe and tube, agricultural equipment, and strapping.

Product 4A–**Cold-rolled carbon steel sheet, in coils, commercial quality (ASTM A-366), not IF, box annealed and temper rolled, 36" to 72" in width, 0.022" to less than 0.028" in thickness.** This commodity product is used in hardware and miscellaneous building components, major home appliances, general purpose furniture, shelving, steel barrels and drums, and shipping pails.

***Product 4B*–Cold-rolled carbon steel sheet in coils, commercial quality (ASTM A-366), not IF, box annealed and temper-rolled, 36" to 72" in width, 0.028" to less than 0.090" in thickness.** This commodity product is used in sheet and strip for painting, the manufacture of pipe and tube, hardware and miscellaneous building components, doors and windows, vehicle parts and accessories, agricultural machinery, industrial equipment, electric lighting equipment and fixtures, major home appliances, general purpose furniture, and steel barrels and drums.

***Product 5A*–Aluminum-zinc alloy coated carbon steel sheet, in coils, hot dipped, structural quality, ASTM A-792, grade 50, AZ50, 40" to 49" in width, 0.019" to 0.0219" in thickness. This product has a coating of 55 percent aluminum, 43.5 percent zinc, and 1.5 percent silicon, and has a variety of product names worldwide including "Galvalume," "Zincalume," "Aluzink," "Zinkalit," and "Zalutite." This product is not pre-painted, has no organic coating, and is not high-strength.** This commodity product is used in pre-engineered metal buildings, industrial roofing and siding, building panels, electrical boxes, home laundry appliances, walk-in coolers, small appliances, vending machines, and wall panels.

***Product 5B*–Electrolytically zinc coated carbon steel sheet, in coils, ASTM A-879, 50-90 grams/square meter per side coating, without organic coating, forming steel, 40" to under 60" in width, 0.022" to under 0.044" in thickness. This product is not prepainted, is not high-strength, and is not mill proprietary.** This commodity product is used essentially all exposed automotive body parts (fenders, hoods, deck lids, doors). It is typically used when the application requires a very smooth surface.

Table FLAT II-23 shows the share of the quantity of U.S. producers' and importers' U.S. commercial shipments of certain carbon and alloy flat-rolled steel accounted for by the reported pricing data during April 2000-March 2003.

Table FLAT II-23
Flat steel: Share of quantity accounted for by price data, by form of flat steel, April 2000-March 2003

Form	U.S. producers' U.S. commercial shipments	Covered imports	Noncovered imports	Total imports
	Share of quantity (percent)			
Slabs	56.1	11.2	4.9	9.4
Plate	14.0	21.1	4.4	13.8
Hot-rolled	25.7	4.1	12.2	7.9
Cold-rolled	22.6	2.3	18.5	7.9
Coated	4.8	32.4	5.7	18.0

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of the Department of Commerce.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported certain carbon and alloy flat-rolled steel are shown in tables FLAT II-24 through FLAT II-31. Weighted average prices of U.S.-produced, covered imported, and noncovered imported certain carbon and alloy flat-rolled steel are also shown in figures FLAT II-3-FLAT II-10.[29] A summary of the price data, by form, is shown in table FLAT II-32 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables FLAT II-33 and FLAT II-34, respectively.

The Commission collected quarterly pricing data for 8 certain carbon and alloy flat-rolled steel items. For each of the items, prices for the domestically-produced item were higher in the first quarter of 2003 than in the first quarter of 2002, ranging from an increase of 2.3 percent for a slab pricing item to an increase of 29.8 percent for a cold-rolled pricing item. For all but 1 of the 8 domestically-produced items, however, the first quarter 2003 price was below that of the second quarter of 2000.[30] Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports from sources covered by the safeguard measure for 6 of the 8 items, declining by *** percent for a plate pricing item and by 20.7 percent for a hot-rolled steel pricing item, but increasing by as much as 58.0 percent for a coated steel pricing item. In this period, prices for imports from sources not covered by the safeguard measure increased for 6 of the 7 items for which observations were available, ranging from a decline of 0.4 percent for a coated steel pricing item to an increase of 51.0 percent for a cold-rolled pricing item. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure undersold the domestically-produced item in 11 of 31 quarterly comparisons, with underselling occurring in all forms of flat-rolled steel except coated steel. Imports from sources not covered by the safeguard measure undersold the domestically-produced item in 21 of 28 quarterly comparisons during the period April 2002 to March 2003, with underselling occurring in all forms of flat-rolled steel.

Table FLAT II-24
Slabs: Weighted-average price and quantity data for U.S.-produced and imported product 1 from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

* * * * * * *

[29] Public price data for certain flat products are shown in figures H-1 through H-4 of app. H.

[30] The domestic prices of one of two coated steel items increased by *** percent over the longer period. Domestic prices for the remainder of the pricing items decreased, with declines ranging from 0.5 percent for one of the cold-rolled pricing items to 42.8 percent for a slab pricing item; the remainder of the declines ranged from *** percent to 11.3 percent.

Table FLAT II-25
Plate: Weighted-average price and quantity data for U.S.-produced and imported product 2[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$391.93	194,080	$317.55	39,754	19.0	$***	***	***
July-September	359.60	165,191	317.33	41,998	11.8	***	***	***
October-December	314.73	190,713	***	***	***	***	***	***
2001:								
January-March	297.63	188,640	270.06	13,044	9.3	***	***	***
April-June	321.14	178,880	***	***	***	***	***	***
July-September	332.68	150,668	338.71	40,070	(1.8)	***	***	***
October-December	310.98	161,197	377.93	34,418	(21.5)	***	***	***
2002:								
January-March	305.63	190,720	456.08	15,416	(49.2)	***	***	***
April-June	314.63	189,409	434.30	22,764	(38.0)	***	***	***
July-September	338.82	184,727	470.20	21,904	(38.8)	***	***	***
October-December	347.18	165,282	477.19	17,196	(37.4)	316.62	10,734	8.8
2003:								
January-March	347.80	159,997	***	***	***	***	***	***

[1] Hot-rolled carbon steel plate, ASTM A-36 or equivalent as rolled, sheared edge, not heat treated, not cleaned or oiled, in cut lengths, over 72" through 96" in width, 1.00" through 2.00" in thickness. Not including high-strength or mill proprietary products, or products tested to other specifications, unless otherwise noted.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-26
Hot-rolled: Weighted-average price and quantity data for U.S.-produced and imported product 3A[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$317.11	815,917	$307.56	23,055	3.0	$270.38	110,625	14.7
July-September	285.15	730,465	332.56	27,653	(16.6)	***	***	***
October-December	248.39	651,170	293.11	11,856	(18.0)	260.87	25,849	(5.0)
2001:								
January-March	230.87	752,726	281.16	10,332	(21.8)	212.28	26,611	8.1
April-June	234.07	887,611	***	***	***	214.86	26,807	8.2
July-September	236.68	736,133	***	***	***	222.47	8,240	6.0
October-December	223.00	666,352	***	***	***	***	***	***
2002:								
January-March	234.60	772,415	***	***	***	***	***	***
April-June	283.79	925,546	***	***	***	263.79	59,188	7.0
July-September	329.74	1,193,025	***	***	***	268.76	42,452	18.5
October-December	324.61	721,673	308.69	17,222	4.9	303.91	164,586	6.4
2003:								
January-March	290.36	850,340	***	***	***	293.28	28,805	(1.0)

[1] Hot-rolled carbon steel sheet and plate in coils, as-rolled (unprocessed), not pickled or temper-rolled, not high-strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A-36), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-27
Hot-rolled: Weighted-average price and quantity data for U.S.-produced and imported product 3B[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$318.75	651,260	$290.79	55,748	8.8	$301.26	9,832	5.5
July-September	287.92	593,483	383.73	41,328	(33.3)	300.29	22,640	(4.3)
October-December	241.68	607,792	316.06	41,294	(30.8)	284.70	9,912	(17.8)
2001:								
January-March	232.99	657,390	304.71	21,244	(30.8)	217.94	10,617	6.5
April-June	235.40	641,267	272.39	18,413	(15.7)	228.24	4,256	3.0
July-September	235.47	563,766	***	***	***	***	***	***
October-December	222.35	541,575	335.88	4,721	(51.1)	241.99	9,145	(8.8)
2002:								
January-March	230.15	643,627	***	***	***	***	***	***
April-June	281.43	737,139	***	***	***	***	***	***
July-September	331.78	865,618	***	***	***	221.10	15,029	33.4
October-December	329.96	625,099	439.07	734	(33.1)	289.71	21,556	12.2
2003:								
January-March	292.31	713,312	***	***	***	316.32	6,906	(8.2)

[1] Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM A-569 equivalent, not high-strength, not pickled and oiled, not temper-rolled, 0.090" through 0.171" in nominal or actual thickness, 40" to 60" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-28
Cold-rolled: Weighted-average price and quantity data for U.S.-produced and imported product 4A[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$443.79	117,115	$425.28	10,579	4.2	$408.02	8,438	8.1
July-September	441.53	98,463	442.16	23,341	(0.1)	409.27	9,062	7.3
October-December	421.45	90,604	447.87	9,500	(6.3)	458.56	1,170	(8.8)
2001:								
January-March	395.85	103,153	362.89	4,155	8.3	375.11	2,370	5.2
April-June	389.89	94,062	344.58	10,165	11.6	351.89	5,305	9.7
July-September	363.95	85,514	306.09	14,347	15.9	334.54	7,034	8.1
October-December	354.69	85,367	304.55	16,364	14.1	309.06	5,035	12.9
2002:								
January-March	339.22	107,314	283.72	9,810	16.4	319.38	4,704	5.8
April-June	377.38	113,254	321.38	8,685	14.8	350.97	5,232	7.0
July-September	436.91	114,416	***	***	***	***	***	***
October-December	445.66	102,958	***	***	***	405.31	35,662	9.1
2003:								
January-March	422.64	121,130	***	***	***	445.00	11,007	(5.3)

[1] Cold-rolled carbon steel sheet, in coils, commercial quality (ASTM A-366), not IF, box annealed and temper rolled, 36" to 72" in width, 0.022" to less than 0.028" in thickness.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-29
Cold-rolled: Weighted-average price and quantity data for U.S.-produced and imported product 4B[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$426.50	767,200	$457.61	114,136	(7.3)	$374.78	14,311	12.1
July-September	415.78	679,367	442.77	103,708	(6.5)	407.34	21,916	2.0
October-December	374.10	717,144	448.80	71,569	(20.0)	366.15	19,644	2.1
2001:								
January-March	364.49	651,789	388.74	68,236	(6.7)	305.80	18,128	16.1
April-June	350.23	597,417	346.03	128,123	1.2	300.02	21,273	14.3
July-September	340.83	514,093	326.51	140,172	4.2	281.71	25,579	17.3
October-December	326.59	518,032	349.90	165,858	(7.1)	283.22	22,755	13.3
2002:								
January-March	326.98	599,961	308.35	99,311	5.7	283.57	10,791	13.3
April-June	360.22	638,405	***	***	***	298.89	24,343	17.0
July-September	428.46	873,804	455.31	28,927	(6.3)	340.84	57,485	20.5
October-December	438.12	725,073	391.05	24,413	10.7	413.31	91,507	5.7
2003:								
January-March	424.41	723,079	454.25	33,087	(7.0)	428.33	40,951	(0.9)

[1] Cold-rolled carbon steel sheet in coils, commercial quality (ASTM A-366), not IF, box annealed and temper-rolled, 36" to 72" in width, 0.028" to less than 0.090" in thickness.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-30
Coated: Weighted-average price and quantity data for U.S.-produced and imported product 5A[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$***	***	$***	***	***	$***	***	***
July-September	551.80	2,487	***	***	***	***	***	***
October-December	***	***	***	***	***	***	***	***
2001:								
January-March	528.55	1,333	***	***	***	***	***	***
April-June	524.53	2,265	***	***	***	***	***	***
July-September	514.46	3,682	***	***	***	***	***	***
October-December	513.64	3,486	***	***	***	***	***	***
2002:								
January-March	515.77	1,628	***	***	***	***	***	***
April-June	528.09	2,507	***	***	***	***	***	***
July-September	***	***	***	***	***	***	***	***
October-December	***	***	***	***	***	***	***	***
2003:								
January-March	***	***	***	***	***	***	***	***

[1] Aluminum-zinc alloy coated carbon steel sheet, in coils, hot-dipped, structural quality, ASTM A-792, grade 50, AZ50, 40" to 49" in width, 0.019" to 0.0219" in thickness. This product has a coating of 55 percent aluminum, 43.5 percent zinc, and 1.5 percent silicon, and has a variety of product names worldwide including “Galvalume,” “Zincalume,” “Aluzink,” “Zinkalit,” and “Zalutite.” This product is not pre-painted, has no organic coating, and is not high-strength.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-31
Coated: Weighted-average price and quantity data for U.S.-produced and imported product 5B[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$547.16	257,894	$***	***	***	$552.96	3,057	(1.1)
July-September	532.07	236,532	***	***	***	***	***	***
October-December	518.48	193,093	***	***	***	***	***	***
2001:								
January-March	494.85	202,312	***	***	***	***	***	***
April-June	475.27	216,560	***	***	***	***	***	***
July-September	442.16	220,602	***	***	***	***	***	***
October-December	462.09	226,626	***	***	***	***	***	***
2002:								
January-March	448.83	231,226	***	***	***	***	***	***
April-June	458.86	217,671	***	***	***	***	***	***
July-September	***	***	***	***	***	***	***	***
October-December	***	***	***	***	***	***	***	***
2003:								
January-March	***	***	***	***	***	***	***	***

[1] Electrolytically zinc coated carbon steel sheet, in coils, ASTM A-879, 50-90 grams/square meter per side coating, without organic coating, forming steel, 40" to under 60" in width, 0.022" to under 0.044" in thickness. This product is not prepainted, is not high-strength, and is not mill proprietary.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure FLAT II-3
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 1, April 2000-March 2003

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Figure FLAT II-4
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 2, April 2000-March 2003

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Figure FLAT II-5
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 3A, April 2000-March 2003

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Figure FLAT II-6
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 3B, April 2000-March 2003

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Figure FLAT II-7
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 4A, April 2000-March 2003

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Figure FLAT II-8
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 4B, April 2000-March 2003

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Figure FLAT II-9
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 5A, April 2000-March 2003

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Figure FLAT II-10
Certain carbon and alloy flat-rolled steel: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 5B, April 2000-March 2003

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Table FLAT II-32
Certain carbon and alloy flat-rolled steel: Change in quarterly prices of U.S. product, imports from covered sources and imports from noncovered sources, by product

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
1	-42.8	2.3	14.8	53.4	([1])	([1])
2	-11.3	13.8	***	***	39.6	8.1
3A	-8.4	23.8	***	***	8.5	31.1
3B	-8.3	27.0	***	-20.7	5.0	***
4A	-4.8	24.6	***	***	9.1	39.3
4B	-0.5	29.8	-0.7	47.3	14.3	51.0
5A	***	***	85.2	58.0	-5.2	-0.4
5B	***	***	10.0	10.0	***	36.5

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-33
Certain carbon and alloy flat-rolled steel: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
1	7	32.8	5.9	3	71.5	11.3
2	5	19.0	4.4	7	49.2	1.8
3A	4	18.4	3.0	8	33.0	3.9
3B	1	8.8	8.8	11	72.9	8.0
4A	10	16.4	4.2	2	6.3	0.1
4B	4	10.7	1.2	8	22.5	6.3
5A	6	24.5	2.7	5	42.7	2.2
5B	0	([1])	([1])	12	58.4	26.5

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT II-34
Certain carbon and alloy flat-rolled steel: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003.

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
1	2	32.1	11.3	2	45.5	6.1
2	8	33.4	6.7	4	13.8	2.1
3A	9	18.5	0.6	3	5.0	1.0
3B	7	33.4	2.4	5	17.8	4.3
4A	10	12.9	5.2	2	8.8	5.3
4B	11	20.5	2.0	1	0.9	0.9
5A	5	5.9	1.1	7	7.6	0.6
5B	5	8.8	0.1	6	15.8	0.6

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: INDUSTRY AND MARKET DATA (TIN)

DESCRIPTION AND USES

Tin mill products (tin) are flat-rolled products of carbon or alloy steel, plated or coated with tin or with chromium oxides or with chromium and chromium oxides (tin-free steel). The products may be either in coils or in straight lengths. Tin products are made by electrolytically coating flat-rolled steel with tin or chromium. Major end uses of tin plate are in the manufacture of welded cans used to contain food, beverages, aerosols, and paint. Chromium-coated steel sheet is used primarily for beer and soft drink two-piece cans and ends, as well as ends for food cans and caps and crowns for glass containers. HTS statistical reporting numbers for subject tin are presented in table FLAT III-1.

Table FLAT III-1
Tin: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers			
Tin[1]	7210.11.00	7210.12.00	7210.50.00	7212.10.00

[1] The temporary HTS subheadings for tin established by proclamation or delegated authority pursuant to trade legislation are:
(1) 9903.73.26 for products outside the scope of the 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.27 through 9903.73.31, 9903.76.26 through 9903.76.28, 9903.76.30, 9903.76.31, 9903.76.35, 9903.76.37, and 9903.76.38 for other products excluded from the section 203 remedy,
(2) 9903.73.32, 9903.73.33, 9903.76.29, 9903.76.32 through 9903.76.34, 9903.76.36, 9903.76.39, and 9903.76.40 for products entered in quantities up to stated limits (ranging from 760 tons to 40,000 tons) without additional tariffs, and
(3) 9903.73.37, 9903.73.38, and 9903.73.39 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of tin which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of tin exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

MARKET ENVIRONMENT

Changes in U.S. Demand

Tin mill products are primarily used in the manufacture of welded cans used to contain food, beverages, aerosols, and paint. As shown in section OVERVIEW II, the quantity of U.S. manufacturers' shipments of steel cans for food decreased by 3.8 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1).

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of tin mill products decreased by 5.0 percent from 3.6 million short tons in April 2000-March 2001 to 3.4 million short tons in April 2002-March 2003.

Three of five responding U.S. tin mill producers reported that U.S. demand for steel has increased and two reported that demand has decreased since March 20, 2002. Fifteen of 17 responding tin mill importers reported that U.S. demand for steel has decreased and two reported that demand has stayed the same since March 20, 2002. One tin mill producer that reported increased demand cited the

weakened dollar as a demand factor. Tin mill importers that reported decreased demand generally cited the slowing U.S. economy.[1]

All seven responding U.S. tin mill producers and all 13 responding tin mill importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

Changes in U.S. Supply

U.S. Steel acquired the tin mill unit of LTV, consisting of tin mill facilities at Aliquippa, PA and East Chicago, IN, in March 2001. Following the acquisition, U.S. Steel closed the Aliquippa facility.[2] [3]

As shown in table FLAT III-2, with the exceptions of efforts to increase product availability, changes in average lead times from production, and increasing order backlogs, the majority of tin mill producers reported no changes in their marketing practices since March 20, 2002.

Table FLAT III-2
Tin: U.S. producer responses to questions regarding firms' activities since March 20, 2002

	Number of producers reporting	
Marketing practice	**No**	**Yes**
Efforts to increase product availability	3	4
Change in geographic market	5	1
Change in channels of distribution	7	0
Change in share of sales from inventory	6	1
Change in average lead times from inventory	6	0
Change in average lead times from production	0	3
Change in product range	5	2
Change in demand for or production of alternate products	7	0

	Increased	**Decreased**	**Stayed same**
Change in order backlogs	3	1	1
Change in on-time shipping percentage	2	2	3

Source: Compiled from data submitted in response to Commission questionnaires.

[1] A domestic producer testified that U.S. demand for tin mill products has been weak. He maintained that U.S. demand for tin mill products was down in 2002 compared to 2001, and he anticipates that it will be down again in 2003 compared to 2002. Roy Dorrance, Vice-Chairman, U.S. Steel, transcript of Commission hearing (July 22, 2003) at 250. A respondent importer counsel testified that the U.S. market for tin mill products is not an attractive market to put money into, as opposed to the European market which is a growing market for tin mill products. Richard Cunningham, counsel to Corus Group, transcript of Commission hearing (July 22, 2003) at 349.

[2] *See* table FLAT I-4.

[3] A domestic producer testified that U.S. Steel is investing in tin mill production facilities in Slovakia and Serbia. However, tin mill production from these facilities is destined for European markets and not the U.S. market. Roy Dorrance, Vice-Chairman, U.S. Steel, transcript of Commission hearing (July 22, 2003) at 251-252. A respondent importer counsel argued that the domestic tin mill industry has not closed down any of its inefficient or outdated facilities. He further maintained that the domestic tin mill industry has not invested in new facilities or upgraded any existing facilities. Christopher Dunn, counsel to Japanese and Brazilian respondents, transcript of Commission hearing (July 22, 2003) at 350-351.

Twenty-five of 34 responding tin mill product purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Twenty-five of 33 responding purchasers reported increased average lead times for their purchases of domestic steel, seven reported no change in domestic lead times, and one reported decreased domestic lead times. Purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[4] Of 34 responding tin mill product purchasers, 25 purchasers did not indicate that producers had taken any such actions. However, five of 34 responding tin mill product purchasers reported that domestic producers had introduced new or innovative products, four reported that domestic producers had improved product quality, five reported that domestic producers had expanded marketing efforts, five reported that domestic producers had improved customer service, and three reported that domestic producers had made other positive adjustment efforts.[5]

Based on data compiled in this investigation, U.S. tin mill producers' capacity utilization was 88.0 percent during April 2002-March 2003, and their inventories as a percentage of total shipments were 11.1 percent. Exports accounted for 3.6 percent of total shipments.

Changes in Import Supply

Imports of tin mill products from covered countries fell by 62.2 percent between the periods April 2001-March 2002 and April 2002-March 2003, whereas imports of tin mill products from noncovered countries increased by 11.6 percent during the same period. Imports from all sources declined by 43.9 percent over the same period.[6]

The U.S. market share accounted for by imports of tin mill products from covered countries fell from 12.6 percent in April 2001-March 2002 to 4.9 percent in April 2002-March 2003. The U.S. market share accounted for by imports of tin mill products from noncovered countries increased from 4.2 percent in April 2001-March 2002 to 4.7 percent in April 2002-March 2003. The U.S. market share accounted for by total imports declined from 16.8 percent to 9.6 percent over the same period.[7]

As shown in table FLAT III-3, the majority of tin mill importers reported no changes in their marketing practices since March 20, 2002.

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[4] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[5] Some purchasers reported more than one of these actions.

[6] *See* table FLAT III-7.

[7] *See* table FLAT III-10.

Table FLAT III-3
Tin: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	13	8
Change in geographic market	20	1
Change in channels of distribution	17	2
Change in share of sales from inventory	19	1
Change in average lead times from inventory	10	0
Change in average lead times from production	16	2
Change in product range	17	5
Change in demand for or production of alternate products	16	2
Importing of steel from foreign producers from which previously have not imported	15	4

	Increased	Decreased	Stayed same
Change in order backlogs	0	8	14
Change in on-time shipping percentage	1	4	17

Source: Compiled from data submitted in response to Commission questionnaires.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table FLAT III-4.

Table FLAT III-4
Tin: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Source	Capacity	Capacity utilization	Exports to the United States/total shipments	Inventories/total shipments
	Short tons		*Percent*	
Covered	7,953,954	90.6	2.5	6.5
Noncovered	2,274,535	81.9	***	***

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure FLAT-III-1 shows monthly shipments of tin mill products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the timeline) and restarts (shown above the line). Also shown above the line are significant safeguard events and an antidumping duty order is shown below the line.[8]

U.S. INDUSTRY DATA

Table FLAT III-5 presents information on U.S. tin producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from 7 tin producers that are believed to represent virtually all U.S. production of tin in the period April 2000-March 2003.[9]

As presented in table FLAT III-5, reporting U.S. producers' aggregate output-related indicators were mixed in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity decreased by 2.3 percent, while production increased by 10.0 percent, and U.S. shipments increased by 6.9 percent.[10] Capacity was lower than in the period from April 2000 to March 2001, while production and U.S. shipments increased modestly. Capacity utilization increased from 78.1 percent to 88.0 percent in the period April 2002 to March 2003, and was above the 79.4 percent level of the period from April 2000 to March 2001. The number of production and related workers employed declined by 9.3 percent in the period April 2002 to March 2003, and was 19.4 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by 16.9 percent; productivity gains, combined with a relatively stable hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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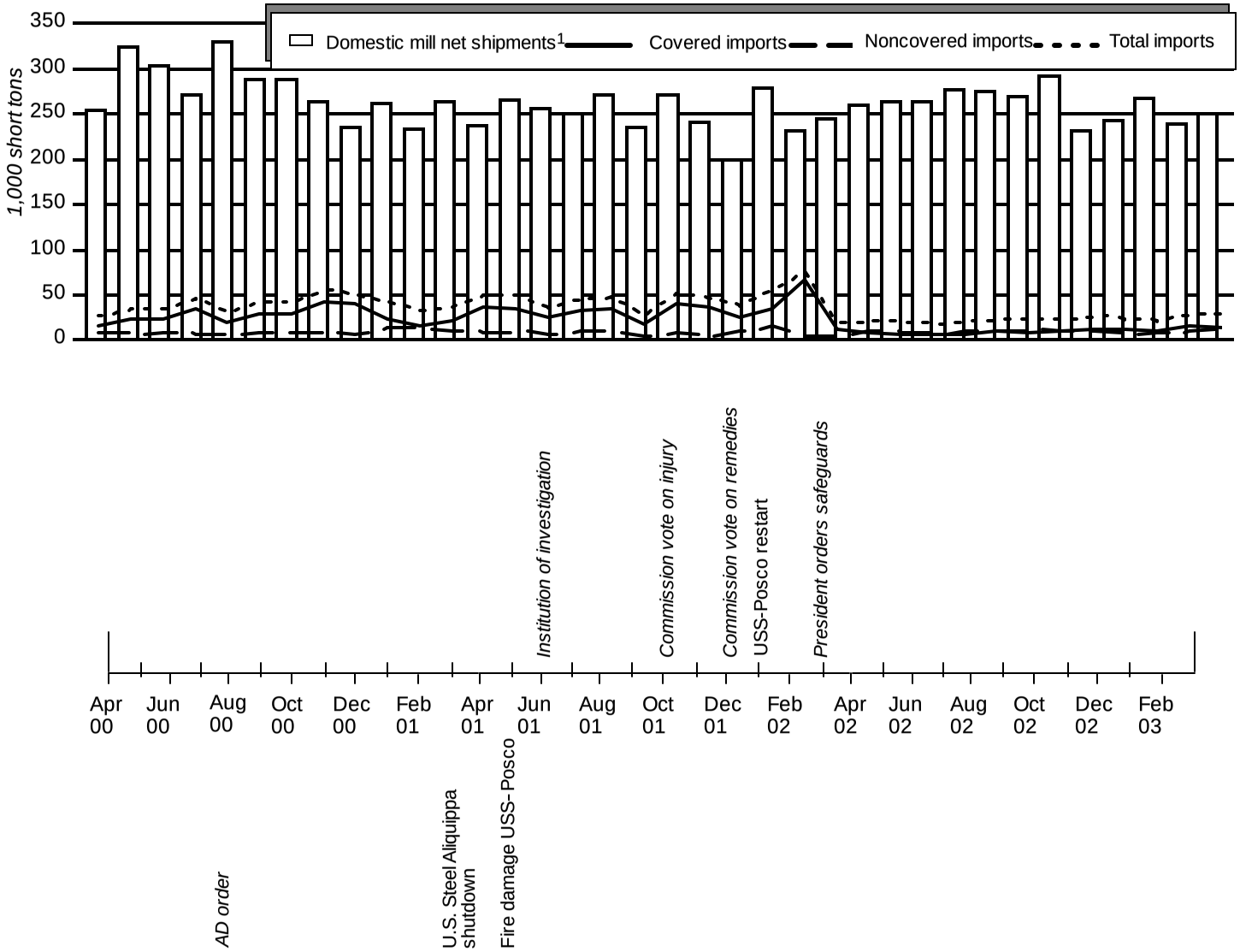
[8] Commerce imposed an antidumping duty order on certain tin mill products from Japan on August 28, 2000 (65 FR 52067).

[9] ***.

[10] The value of the domestic industry's U.S. shipments increased by 7.74 percent, reflecting an increase in the average unit value of such shipments. Both the value and the average unit value of such shipments were higher than in the period April 2000 to March 2001.

Figure FLAT III-1
Tin mill products: Monthly imports and monthly domestic mill net shipments, antidumping duty (AD) order, facility shutdowns and restarts, and investigation milestones, April 2000-March 2003



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

Table FLAT III-5
Tin: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	4,041,845	3,741,545	3,654,045
Production	3,209,607	2,920,670	3,213,758
Internal consumption/transfers	0	0	0
U.S. commercial shipments	3,065,157	2,873,558	3,071,392
U.S. shipments	3,065,157	2,873,558	3,071,392
Export shipments	158,882	98,131	114,020
Total shipments	3,224,039	2,971,689	3,185,412
Ending inventories	406,004	327,735	354,081
		Value *($1,000)*	
Internal consumption/transfers	0	0	0
U.S. commercial shipments	1,807,862	1,701,138	1,832,225
U.S. shipments	1,807,862	1,701,138	1,832,225
Export shipments	87,585	56,600	66,869
Total shipments	1,895,447	1,757,738	1,899,094
		Unit value *(per short ton)*	
Internal consumption/transfers	([1])	([1])	([1])
U.S. commercial shipments	590	592	597
U.S. shipments	590	592	597
Export shipments	551	577	586
Total shipments	588	591	596
		Ratios and shares *(percent)*	
Capacity utilization	79.4	78.1	88.0
U.S. shipments to distributors	22.1	17.7	19.7
U.S. shipments to end users	77.9	82.3	80.3
Inventories/total shipments	12.6	11.0	11.1
		Employment data	
PRWs[2] *(number)*	6,268	5,572	5,055
Hours worked *(1,000)*	13,601	11,661	10,977
Wages paid *($1,000)*	349,985	303,352	288,975
Hourly wages	$25.73	$26.01	$26.33
Productivity *(short tons/1,000 hours)*	236.0	250.5	292.8
Unit labor costs *(per short ton)*	$109.04	$103.86	$89.92

[1] Not applicable.
[2] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL DATA

Financial data concerning U.S. companies producing tin are presented in table FLAT III-6. U.S. firms were requested to provide information on pension expenses, post-employment expenses other than pensions (OPEBs), and whether they received CDSOA funds. All seven firms submitting data on tin reported pension expenses, and accounted for those expenses under a COGS component (direct labor and/or other factory costs), SG&A, other income, or a combination of those line items. No firm producing tin reported receiving CDSOA funds. Six firms (all except ***) reported OPEB expenses. These costs were normally reported in the same financial statement line items as pension expenses, under direct labor, other factory costs, SG&A, or a combination of those line items.

As presented in table FLAT III-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following declines in the previous 12-month period, to approximately the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased from $589 to $596, 1.4 percent higher than the average unit value of $588 for the period from April 2000 to March 2001.

COGS declined on a unit basis, notwithstanding an increase in unit raw materials costs. Because unit revenues increased while unit costs declined, and sales volume increased, the industry's financial performance improved in the period April 2002 to March 2003, although it still operated unprofitably. Its operating margin improved from negative 9.7 percent to negative 4.4 percent. The latter margin, was an improvement from the industry's negative 9.9 percent operating margin in the period from April 2000 to March 2001.

U.S. IMPORTS

Table FLAT III-7 presents data on U.S. imports of tin by sources for the period April 2000-March 2003. Table FLAT III-8 presents data on U.S. imports from covered sources, by tariff categories during April 2002-March 2003. Table FLAT III-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in table FLAT III-7, in the period April 2002 to March 2003, total imports, as well as imports from covered sources, declined sharply, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 581,523 short tons to 326,280 short tons. Imports from countries covered by the safeguard measure declined from 437,045 short tons to 165,059 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 144,497 short tons to 161,221 short tons.[11]

[11] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 4.8 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 1.4 percent. The average unit values of all imports increased by 2.3 percent in the first 12 months of the section 203 safeguard measure, and was 0.9 percent higher than in the period April 2000 to March 2001.

Table FLAT III-6
Tin: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Net commercial sales	3,225,789	2,978,789	3,186,112
		Value *($1,000)*	
Net commercial sales	1,895,193	1,754,623	1,897,573
COGS	1,977,613	1,838,505	1,895,883
Gross profit or (loss)	(82,420)	(83,882)	1,690
SG&A expenses	105,834	85,536	85,187
Operating income or (loss)	(188,254)	(169,418)	(83,497)
Interest expense	42,166	44,782	29,141
Other (income)/expenses, net	(9,799)	(25,658)	(21,080)
Net income or (loss)	(220,621)	(188,542)	(91,558)
Depreciation/amortization	109,837	113,992	95,707
Cash flow	(110,784)	(74,550)	4,149
CDSOA funds received	0	0	0
Pension (credit)/expense	11,751	31,486	43,330
Other post-employment benefits	37,367	43,194	49,897
Capital expenditures	62,655	40,400	17,513
R&D expenses	3,973	2,561	2,272
		Ratio to net commercial sales *(percent)*	
COGS	104.3	104.8	99.9
Gross profit or (loss)	(4.3)	(4.8)	0.1
SG&A expenses	5.6	4.9	4.5
Operating income or (loss)	(9.9)	(9.7)	(4.4)
Net income or (loss)	(11.6)	(10.7)	(4.8)
		Unit value *(per short ton)*	
Net commercial sales	$588	$589	$596
COGS total	613	617	595
Raw materials	233	235	237
Direct labor	104	112	108
Other factory costs	276	271	250
Gross profit or (loss)	(26)	(28)	1
SG&A expenses	33	29	27
Operating income or (loss)	(58)	(57)	(26)
		Number of firms reporting	
Operating Losses	5	5	3
Data	7	7	6

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT III-7
Tin: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
		Quantity *(short tons)*		***Percent***
Covered sources	360,372	437,045	165,059	-62.2
Noncovered sources:[1]				
Brazil	51,349	47,569	20,452	-57.0
Canada	96,167	96,443	137,979	43.1
Subtotal	147,516	144,012	158,431	10.0
All others	2,295	467	2,790	497.8
Subtotal (noncovered)	149,811	144,479	161,221	11.6
Total (all imports)	510,182	581,523	326,280	-43.9
		Landed, duty paid value *($1,000)*		
Covered sources	219,140	257,013	101,756	-60.4
Noncovered sources:[1]				
Brazil	24,136	22,128	12,358	-44.2
Canada	62,848	59,783	79,106	32.3
Subtotal	86,984	81,911	91,464	11.7
All others	1,106	194	1,472	657.6
Subtotal (noncovered)	88,090	82,105	92,936	13.2
Total (all imports)	307,230	339,118	194,692	-42.6
		Unit value *(per short ton)*		
Covered sources	$608	$588	$616	4.8
Noncovered sources:[1]				
Brazil	470	465	604	29.9
Canada	654	620	573	-7.5
Average	590	569	577	1.5
All others	482	416	528	26.7
Average (noncovered)	588	568	576	1.4
Average (all imports)	602	583	597	2.3
		Share of total imports based on quantity *(percent)*		***Percentage point***
Covered sources	70.6	75.2	50.6	-24.6
Noncovered sources:[1]				
Brazil	10.1	8.2	6.3	-1.9
Canada	18.9	16.6	42.3	25.7
Subtotal	28.9	24.8	48.6	23.8
All others	0.5	0.1	0.9	0.8
Subtotal (noncovered)	29.4	24.8	49.4	24.6
Total (all imports)	100.0	100.0	100.0	0.0
		Ratio of imports to production *(percent)*		
Covered sources	11.2	15.0	5.1	-9.8
Noncovered sources[1]	4.7	4.9	5.0	0.1
Total	15.9	19.9	10.2	-9.8

[1] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table FLAT III-8
Tin: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table FLAT III-9
Tin: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	263,157	336,624	175,327
End-of-period inventories	81,057	98,239	72,881
Noncovered sources:			
U.S. shipments of imports	68,323	80,925	101,726
End-of-period inventories	2,200	2,100	1,500
Total:			
U.S. shipments of imports	331,480	417,549	277,053
End-of-period inventories	83,257	100,339	74,381
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	30.8	29.2	41.6
Noncovered sources	3.2	2.6	1.5
Average	25.1	24.0	26.8

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of tin are presented in table FLAT III-10 and figure FLAT III-2.

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for tin mill products declined. U.S. tin mill producers provided mixed responses to the question whether demand for steel products has increased since imposition of the safeguard measure, while most importers stated that demand had declined. As presented in table FLAT III-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of tin mill products decreased by 1.7 percent in the period April 2002 to March 2003, and at the conclusion of this period was 5.0 percent below the level of the period from April 2000 to March 2001.

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 83.2 percent to 90.4 percent. Imports from covered countries saw their market share decrease from 12.6 percent to 4.9 percent, while imports from noncovered countries saw their market share increase from 4.2 percent to 4.7 percent.

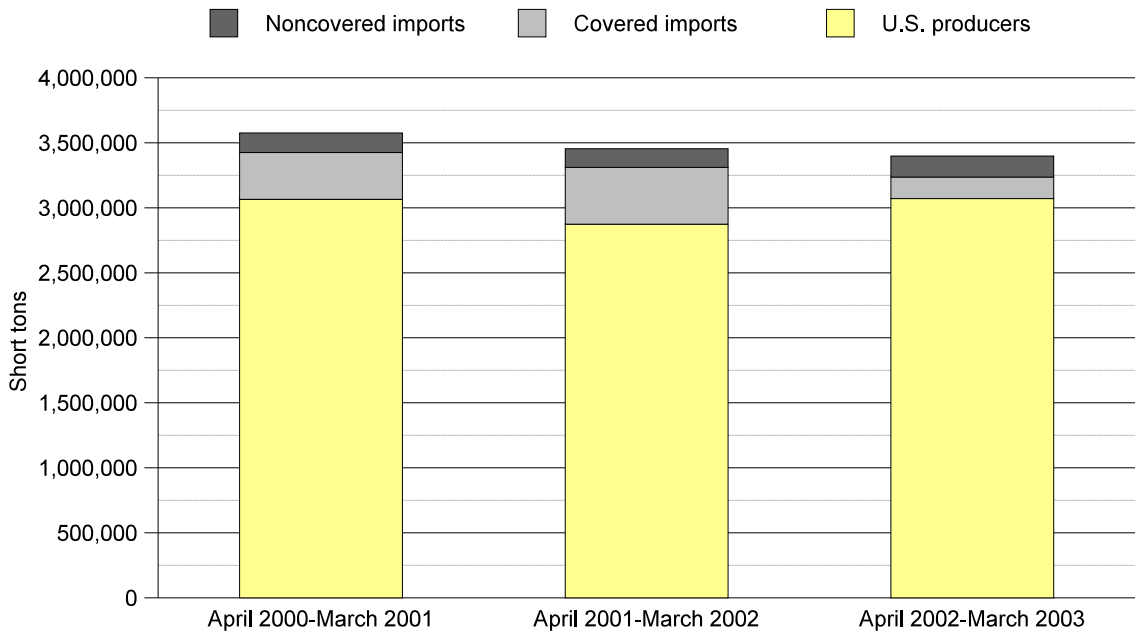
Table FLAT III-10
Tin: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	3,065,157	2,873,558	3,071,392
U.S. imports from:			
Covered sources	360,372	437,045	165,059
Noncovered sources	149,811	144,479	161,221
Total U.S. imports	510,182	581,523	326,280
Apparent U.S. consumption	3,575,339	3,455,081	3,397,672
		Value *($1,000)*	
U.S. producers' U.S. shipments	1,807,862	1,701,138	1,832,225
U.S. imports from:			
Covered sources	219,140	257,013	101,756
Noncovered sources	88,090	82,105	92,936
Total U.S. imports	307,230	339,118	194,692
Apparent U.S. consumption	2,115,092	2,040,256	2,026,917
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	85.7	83.2	90.4
U.S. imports from:			
Covered sources	10.1	12.6	4.9
Noncovered sources	4.2	4.2	4.7
Total U.S. imports	14.3	16.8	9.6
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	85.5	83.4	90.4
U.S. imports from:			
Covered sources	10.4	12.6	5.0
Noncovered sources	4.2	4.0	4.6
Total U.S. imports	14.5	16.6	9.6

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Figure FLAT III-2
Tin: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table FLAT III-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. tin mill producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table FLAT III-11 and table FLAT III-12). U.S. tin mill purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table FLAT III-13).

The three factors rated most important by U.S. tin mill products producers were: changes in the level of competition from imports from non-excluded countries; changes in the level of competition from imports from excluded countries; and changes in demand for steel within the United States. The three factors rated most important by tin mill products importers were: changes in demand for steel; changes in competition between U.S. producers; and changes in U.S. production capacity. The three factors rated most important by tin mill products purchasers were: changes in U.S. production capacity; changes in the cost of raw materials; and changes in demand for steel within the United States.[12]

[12] Most available information suggests that U.S. demand for tin mill products has declined since March 20, 2002. Three of five responding U.S. producers reported that U.S. demand for tin mill products increased since March 20, 2002, whereas 15 of 17 responding importers reported that demand has decreased. Apparent consumption of tin mill products decreased by 1.7 percent between April 2001-March 2002 and April 2002-March 2003. As previously mentioned, U.S. manufacturers' shipments of steel cans for food, a primary end product for tin mill products, decreased by 3.8 percent between the first quarter of 2002 and the first quarter of 2003.

Imports of tin mill products from covered sources fell sharply, by 62.2 percent between April 2001-March 2002 and April 2002-March 2003 (table FLAT III-7). Imports of tin mill products from noncovered sources increased by 11.6 percent between April 2001-March 2002 and April 2002-March 2003. U.S. tin mill producers' capacity utilization increased significantly from 78.1 percent in April 2001-March 2002 to 88.0 percent in April 2002-March 2003. Unit raw materials costs for tin mill products increased slightly between April 2001-March 2002 and April 2002-March 2003 (table FLAT III-6). Cold-rolled sheet products are the primary raw material input for tin mill products; prices for products 4A and 4B, the two cold-rolled products for which the Commission collected quarterly price data, increased substantially between the first quarter of 2002 and the first quarter of 2003 (table FLAT II-30). However, ***.

Table FLAT III-11
Tin: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1] Ranking	Influence of factors[2] I	N	D
Changes in the level of competition from imports from non-excluded countries	1.6	4	0	3
Changes in the level of competition from imports from excluded countries	1.7	2	1	4
Changes in demand for steel within the United States	1.9	1	1	5
Changes in competition between U.S. producers	1.9	2	2	3
Changes in U.S. production capacity	2.0	2	2	2
Changes in energy costs	2.1	4	3	0
Changes in demand for steel outside the United States	2.1	3	2	1
Changes in the cost of raw materials	2.4	3	3	1
Changes in labor agreements, contracts, etc.	2.6	1	3	3
Changes in the productivity of domestic producers	3.0	0	6	1
Changes in transportation/delivery cost changes	3.1	2	5	0
Changing market patterns	3.5	0	6	0
Changes in the level of competition from substitute products	3.7	0	7	0
Changes in the allocation of production capacity to alternate products	3.9	0	7	0

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT III-12
Tin: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel	1.6	1	4	16
Changes in competition between U.S. producers	1.8	9	6	6
Changes in U.S. production capacity	1.8	9	6	5
Changes in the level of competition by imports	2.2	4	11	6
Changes in the cost of raw materials	2.5	13	7	1
Changes in the productivity of domestic producers	2.7	1	14	5
Changes in energy costs	2.7	13	8	0
Changing market patterns	2.8	1	16	4
Changes in labor agreements, contracts, etc.	2.9	4	13	4
Changes in transportation/delivery cost changes	3.0	9	12	0
Changes in the level of competition from substitute products	3.3	1	18	2
Changes in the allocation of production capacity to alternate products	3.4	0	20	1

[1] The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT III-13
Tin: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in U.S. production capacity	1.5	15	7	10
Changes in the cost of raw materials	1.7	20	10	1
Changes in demand for steel within the United States	1.7	7	9	15
Changes in competition between U.S. producers	1.7	19	10	3
Changes in the level of competition from imports from non-excluded countries	2.0	14	7	11
Changing market patterns	2.2	9	15	4
Changes in demand for steel outside the United States	2.2	16	8	5
Changes in energy costs	2.3	20	12	0
Changes in labor agreements, contracts, etc.	2.4	3	20	6
Changes in the productivity of domestic producers	2.4	5	21	5
Changes in transportation/delivery cost changes	2.5	19	14	0
Changes in the allocation of production capacity to alternate products	2.6	10	18	2
Changes in the level of competition from imports from excluded countries	2.7	6	20	6
Changes in the level of competition from substitute products	3.2	4	28	0

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all purchasers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. tin mill producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Five of seven responding U.S. tin mill producers and 14 of 16 responding tin mill importers reported that there has not been a change in the share of their sales made on a contract versus a spot basis. Four of six U.S. tin mill producers and six of 11 tin mill importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag behind spot prices and are not as volatile.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following tin mill product during April 2000-March 2003:

> ***Product 6*–Base price for single-reduced, electrolytic tin plate (1CRETP), 70-75 pound per base box.** This commodity product is used primarily for end closures for food cans. It is also used in compact disc bases.

Reported pricing data accounted for 16.7 percent of the quantity of U.S. producers' U.S. commercial shipments of tin mill products, 9.3 percent of the quantity of total imports, and 10.0 percent and 7.9 percent, respectively, of the quantity of imports of covered and noncovered U.S. imports of tin mill products during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported tin mill product 6 are shown in table FLAT III-14. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported tin mill product 6 are also shown in figure FLAT III-3.[13] A summary of the price data is shown in table FLAT III-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables FLAT III-16 and FLAT III-17, respectively.

Quarterly prices for the domestically produced tin mill product for which the Commission collected pricing data rose by 1.8 percent from the first quarter of 2002 to the first quarter of 2003; the first quarter 2003 price was only 0.1 percent higher than the price in the second quarter of 2000. Prices declined by *** percent for imports of this product from sources covered by the safeguard measure and by 4.7 percent for product from sources not covered from the first quarter of 2002 to the first quarter of 2003. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure undersold the domestically produced product in 2 of 4 quarterly comparisons, and imports from sources not covered by the measure undersold the domestically produced product in all 4 quarterly comparisons.

[13] Public price data for tin mill products are shown in figure H-5 of app. H.

Table FLAT III-14
Tin: Weighted-average price and quantity data for U.S.-produced and imported product 6[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$607.85	141,487	$508.58	2,409	16.3	$***	***	***
July-September	609.23	126,058	535.12	3,041	12.2	***	***	***
October-December	613.59	87,233	511.33	3,369	16.7	***	***	***
2001:								
January-March	604.64	101,021	508.60	2,850	15.9	***	***	***
April-June	600.70	113,462	516.15	7,237	14.1	***	***	***
July-September	596.64	130,937	***	***	***	***	***	***
October-December	597.67	123,216	622.20	22,528	(4.1)	***	***	***
2002:								
January-March	597.98	122,350	574.37	26,588	3.9	***	***	***
April-June	596.04	135,426	***	***	***	***	***	***
July-September	597.65	141,452	***	***	***	***	***	***
October-December	599.80	143,415	***	***	***	***	***	***
2003:								
January-March	608.68	139,980	***	***	***	***	***	***

[1] Base price for single-reduced, electrolytic tin plate (1CRETP), 70-75 pound per base box.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure FLAT III-3
Tin: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 6, April 2000-March 2003

* * * * * * *

Table FLAT III-15
Tin: Change in quarterly prices of U.S.-produced and imported product 6, by source

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
6	0.1	1.8	***	***	-12.2	-4.7

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT III-16
Tin: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, of product 6, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
6	8	20.7	3.9	4	20.8	4.1

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table FLAT III-17
Tin: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, of product 6, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
6	11	15.0	1.9	1	6.3	6.3

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: ADJUSTMENT EFFORTS

Section 204 requires the Commission to monitor and report on the progress and specific efforts made by workers and firms to adjust to import competition. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. The report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the individual companies' adjustment plans reviewed by the Commission were designed to improve the domestic flat-rolled industry's ability to meet import competition and largely fell into four general categories: restoring financial stability, investing in more efficient facilities and equipment, developing new products and markets, and pursuing market-based consolidation and rationalization. The domestic producers also argued that the domestic industry would be assisted by public policy measures such as: legacy costs relief, including expanded access to federal health programs/plans for retirees; tax incentives to spur consolidation/rationalization/liquidation of capacity; and improved unfair trade law enforcement. The individual producers who provided information make some or all of the products included in the category "certain carbon and alloy flat-rolled steel" (i.e., slabs, plate, hot-rolled, cold-rolled, and coated) and certain of these producers make tin mill products as well. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table FLAT IV-1.[1]

Several integrated companies (Bethlehem, LTV, National, and U.S. Steel) estimated that the industry needed to invest $7 to $9 billion over three years to maintain competitiveness. In particular, the integrated steel companies described the following types of major investments as being required: rebuilding existing coke plants and building one or two new "non-recovery" plants; relining or refitting blast furnaces; modifying some blast furnaces to provide for coal injection or oxygen injection; replacing older furnaces with COREX units; developing alternatives to scrap so minimills could produce higher quality steel; acquiring ladle refining and degassing equipment at some mills; rebuilding or converting continuous casters at some mills; upgrading hot-rolling mills with walking beam reheat furnaces, hydraulic coilers, and coil bending equipment; and upgrading cold-rolling mills with annealing furnaces and new pickle lines so they could produce higher quality steel and environmental investments such as waste oxide treatment facilities. The industry also stated that it would continue to invest in developing new products and markets.

[1] Also included in the table is the number of firms that stated they had no planned adjustments.

Table FLAT IV-1
Flat steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group

Certain flat products					
Slab	**Plate**	**Hot-rolled**	**Cold-rolled**	**Coated**	**Tin**
Number of reporting U.S. producers					
20	19	28	28	22	8
Additional capital investment					
11	11	18	14	14	7
Further cost reductions					
11	7	15	12	10	6
Improve product quality					
7	7	11	9	8	3
Increase capacity and/or production					
6	8	9	11	6	3
Develop new or innovative product lines					
3	7	8	7	7	4
Increase productivity/speed in manufacturing process					
1	2	6	5	6	3
Reduction in work force					
3	3	4	4	4	3
Improved customer service					
2	4	4	4	5	1
No planned adjustments					
2	4	3	0	0	0
Utilization of e-commerce to reduce transaction costs or increase sales					
1	1	1	1	1	1
Increase employee training					
1	0	1	0	1	0
Increase employment					
0	1	1	1	0	0
Relocation or closing of facility					
1	0	1	0	1	0
Research & development					
0	0	0	0	2	0
Expand geographic reach of current customer base					
1	0	0	0	0	0

Source: *Steel: Investigation No. TA-201-73*, USITC Pub. 3479, December 2001, table FLAT-80, p. FLAT-78, compiled from data submitted in response to Commission questionnaires in that investigation.

The minimill 201 Coalition described investment plans of $2.3-$2.6 billion over four years to increase efficiency and productivity by, for example, upgrading existing equipment and installing new equipment; developing new product grades; expanding capacity in certain product lines; adding marketing personnel and production workers; and installing new information processing systems to improve customer service. Ispat Inland's adjustment plan contained a commitment to improving competitiveness through rationalization of resources. Proposed adjustment efforts by 16 other producers of certain carbon and alloy flat-rolled steel were mainly directed at acquisition of new equipment and upgrades to existing equipment, but also included organizational marketing and labor-related and other changes. The proposed expenditures of those sixteen firms would total approximately $1.9 billion.

In the current monitoring proceeding, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that if relief were granted as a result of that investigation, their firms would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires.[2] The firms' responses are presented at the end of this chapter in table FLAT IV-4.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the tariffs and/or tariff-rate quotas imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

Firms were asked to compare their operations before and after the imposition of the relief. Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented at the end of this chapter in table FLAT IV-4 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented and, if so, the reason(s) why specific adjustment actions have not been implemented. The firms' responses are presented at the end of this chapter in table FLAT IV-4 (Part A).

Domestic producers described several factors that have hindered their adjustment efforts and caused them to defer some capital expenditures: weakened demand in the domestic economy in 2003;[3]

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[2] Firms were also asked to attach copies of their specific adjustment plans as reported to the Commission during Inv. No. TA-201-73 or to USTR since the initiation of the original section 201 investigation.

[3] Posthearing brief of Nucor at 7.

an increase in imports of steel products from non-covered countries;[4] downward pressure on domestic prices resulting from the weakened economy and increased imports from excluded countries;[5] and certain product exclusions which depressed domestic prices, allowed imports to remain high, and have hampered the industry's efforts to develop new product lines.[6] Tin mill product producers noted particularly weak market conditions and minimal price increases but also a dramatic rise in productivity and additional price increases in 2003 contracts.[7] Examples of adjustment efforts that domestic flat-rolled producers indicated have been put in abeyance by these adverse conditions include replacement of a vintage blast furnace with an electric arc furnace (Ispat Inland), installation of a new polymer coating line for tin mill products (Weirton), and higher levels of capital spending (ISG, U.S. Steel).[8]

Certain domestic producers that are rerollers (who do not produce but must purchase slab), stated that the slab TRQ adversely affected the rolling capacity of the domestic industry and that the slab deficit in the U.S. market had continued to increase after the section 201 relief was imposed.[9] Other domestic producers disagreed with this contention and stated that the slab TRQ was not hurting the industry's adjustment efforts. They pointed out that the quota has not been fully utilized, that domestic sales of slabs increased after the section 203 relief was imposed, and that the rerollers profited from the section 203 relief because the price of finished steel rose more than the price of slab.[10]

Despite some setbacks and delays, the domestic industry described its adjustment efforts as ongoing and requiring the full period of section 203 relief, with consolidations and the integration of acquired assets to continue;[11] new labor agreements and worker training programs to be implemented and additional agreements to be negotiated; additional capital investment and upgrades to be undertaken; and reduction of inefficient capacity to continue.[12]

Representatives of domestic steel-producing firms and workers, including ISG, Nucor, U.S. Steel, as well as the USWA, testified before the Commission that the industry's adjustment efforts would not have taken place without the section 203 relief.[13]

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[4] Prehearing brief of the 201 Flat-Rolled Coalition at 4.

[5] Testimony of Daniel DiMicco, Vice Chairman, President and CEO, Nucor Corp., transcript of Commission hearing (July 22, 2003) at 262.

[6] Posthearing brief of Nucor at 8.

[7] Posthearing brief of Weirton at 1-3.

[8] Testimony of Rogers, Scott, Ross, Dorrance, transcript of Commission hearing (July 22, 2003) at 173, 189, 137, 160 .

[9] Posthearing brief of AK Steel Corp., California Steel Industries, and Duferco Farrell Corp. at 11-15 and 19-22.

[10] Posthearing brief of U.S. Steel at 35-44.

[11] Testimony of Roy Dorrance, Vice Chairman, United States Steel Corp., transcript of Commission hearing (July 22, 2003) at 222-225.

[12] Posthearing brief of U.S. Steel at 50-62.

[13] Testimony of Mr. Ross, Mr. DiMicco, Mr. Dorrance, and Mr. Gerard, transcript of Commission hearing (July 22, 2003) at 145-152, 160, and 163.

Parties opposed to the section 203 relief, including foreign producers, foreign governments, and steel-consuming industries, stated that while consolidation and restructuring had occurred, and new labor agreements had been negotiated, they were not the result of the section 203 relief;[14] that continued section 203 relief would hamper further rationalization and removal of inefficient capacity; and that the relief was having a harmful effect on steel consumers.[15] Parties opposed to section 203 relief on tin mill products questioned whether the domestic industry had made substantial adjustment efforts since relief was imposed.[16]

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[17]

1. Any efforts that have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation that indicate that such competitive efforts were undertaken primarily against imports of subject steel. A summary of the types of U.S. producers' reported actual adjustment efforts are presented in table FLAT IV-2 and the responses of firms are presented at the end of this chapter in table FLAT IV-4 (Part C).

Since March 2002, several trends have emerged from the domestic flat-rolled steel industry. First, there has been a wave of consolidation in which four of the largest U.S. mills-- LTV, U.S. Steel, National and Bethlehem--have been consolidated into two giant mills. Second, a number of companies have invested in new technologies and made capital improvements. Third, groundbreaking flexible collective bargaining agreements have been negotiated between several producers and their unions. Finally, a number of companies have invested in new technologies and made capital improvements.

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[14] As noted in the Overview chapter, the statute does not call for the Commission or the President to determine whether the adjustment efforts would not have been undertaken in the absence of the safeguard measures.

[15] Posthearing brief of Joint Respondents at 1-12.

[16] Posthearing brief of Joint Respondents on Tin Mill Products at 6-12.

[17] Categories on which producers were asked to comment were: Investments made; Capacity reductions; Cost reductions with existing equipment; Diversifications/expansions; Mergers and consolidations; New products developed or new applications for existing products; Organizational changes; Changes in production practices; Marketing changes in U.S. and foreign markets; Employee reductions; Changes in pension liabilities, healthcare, and union contracts; and All other efforts made by firm or workers to compete.

Table FLAT IV-2
Flat steel: Number of U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Certain flat products					
Slab	**Plate**	**Hot-rolled**	**Cold-rolled**	**Coated**	**Tin**
Number of U.S. producers reporting adjustments					
11	9	18	15	12	5
Investments made					
9	7	14	12	11	3
Capacity reductions					
3	1	3	2	1	1
Cost reductions with existing equipment					
8	7	11	8	9	5
Diversifications/expansions					
2	2	2	2	3	0
Mergers and consolidations					
3	2	4	2	3	2
New products developed or new applications for existing equipment					
7	7	9	5	7	2
Organizational changes					
2	3	2	3	1	1
Changes in production practices					
6	6	8	6	4	1
Marketing changes (U.S. and foreign markets)					
5	5	6	5	6	1
Employee reductions					
8	7	10	9	8	3
Changes in pension liabilities, healthcare, and union contracts					
5	5	6	4	4	3
All other efforts made by firm or workers					
5	4	4	6	4	2

Source: Compiled from data submitted in response to Commission questionnaires.

There are approximately a dozen fewer steel companies operating in the United States today compared to the period examined in the section 201 investigation.[18] U.S. Steel, ISG, and Nucor have invested $3 billion to restructure and consolidate the flat-rolled industry.[19] In March 2002, ISG was formed and quickly expanded. In April 2002, ISG acquired LTV's assets for $80 million, plus assumption of $200 million in environmental liability. In September 2002, ISG purchased the assets of Acme for $65 million. And in May 2003, ISG purchased the assets of Bethlehem for $1.6 billion. ISG will now produce nearly one-quarter of the nation's flat-rolled steel. ISG reports that its transformation of LTV's facilities has reduced manhours per ton from 2.5 to less than one, and has cut the cost of hot-rolled production in half. In July 2002, Nucor purchased the assets of Trico Steel Company, a bankrupt producer of hot-rolled products, for $166.7 million. Trico has 1.9 million tons of capacity, which increases Nucor's capacity to produce flat-rolled products by about 30 percent.[20] The restarted Trico mill successfully produced its first slabs in September 2002 and produced its first coil in October 2002. Nucor expects the Trico mill to operate at full capacity by the fourth quarter of 2003. In May 2003, U. S. Steel finalized its $1.05 billion acquisition of the assets of National Steel, which is expected to result in cost savings of at least $200 million per year and a 20-percent gain in productivity.[21] Gallatin purchased the assets of Ghent Steel Industries, a cut-to-length finishing operation.[22]

Of the 20 million tons of domestic capacity that was closed from the fourth quarter of 2000 to the second quarter of 2002, about 10 million tons of capacity remains closed. Gulf States shut down in August 2000 and Geneva shut down in December 2001. Together these two firms account for 4 million net tons of steel capacity. ISG has 2.7 million tons of closed iron-making capacity and 3.3 million tons of closed rolling capacity at the companies it acquired.[23] In 2003, ISG completed the sale of idled assets to a steel producer in China. The assets sold included the 80-inch hot-strip mill from ISG's Cleveland West operations and an old cold mill from the Sparrows Point, MD, mill that ISG acquired when it purchased Bethlehem.[24] Weirton filed for bankruptcy in May 2003.[25] WCI filed for bankruptcy in September 2003. Domestic producers indicated that the Commission's data understate capacity reductions because the data do not include companies such as Gulf States or Geneva that shut down during the period examined by the Commission.[26]

Several domestic producers have made or authorized a number of capital investments in order to upgrade existing facilities and invest in new technologies to reduce costs and improve product quality and productivity. The cost of U.S. Steel's investments amount to $200 million aimed at reducing costs and improving the quality of steel-making along the entire process, through finishing and coating

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[18] Testimony of Wilbur L. Ross, Jr., Chairman of the Board of Directors and Director, ISG, transcript of Commission hearing (July 22, 2003) at 138.

[19] Posthearing brief of U.S. Steel at 17.

[20] Posthearing brief of Nucor at exh. 7, 4.

[21] Testimony of Thomas J. Usher, Chairman and Chief Executive Officer, United States Steel Corp., transcript of Commission hearing (July 24, 2003) at 86-88.

[22] Testimony of Edward Puisis, Chief Financial Officer, Gallatin Steel Company, transcript of Commission hearing (July 22, 2003) at 186.

[23] Testimony of Wilbur L. Ross, Jr., Chairman of the Board of Directors and Director, ISG, transcript of Commission hearing (July 22, 2003) at 137.

[24] Posthearing brief of U.S. Steel at app. 7.

[25] Testimony of Michael Scott, Vice President of Marketing and Sales, Weirton Steel Corp., transcript of Commission hearing (July 22, 2003) at 189.

[26] Posthearing brief of U.S. Steel at 29-31.

operations.[27] One half of the spending has been dedicated to steelmaking (i.e., blast furnace and basic oxygen furnace) operations, which will reduce costs and improve quality for all flat-rolled products. Roughly one fifth of the investments will be made at U.S. Steel's hot-strip mill operations, while about one-sixth will be made at its cold-reduction mill operations. These improvements are intended to benefit hot-rolled and cold-rolled steels, as well as downstream products such as corrosion-resistant and tin mill steels. The remaining expenditures reflect investments specifically relating to U.S. Steel's galvanizing and tin mill operations.[28]

ISG made an aggregate capital investment of $53 million to start up the idled facilities at LTV and Acme and to begin the process of modernizing the rolling facilities. ISG recently announced that it is investing $272 million in its Burns Harbor facility: 30 percent is to be invested in primary operations, mostly iron and steel production; 30 percent is earmarked for environmental expenditures; 15 percent will be used to upgrade or replace the plant's existing pickling lines; another 15 percent is expected to be used to upgrade computer technology; and 10 percent is earmarked for miscellaneous projects.[29] The Burns Harbor upgrade is predicted to save 3,430 jobs.[30] ISG has a capital budget for 2004 of approximately $300 million.[31]

Nucor indicated plans to install vacuum degassing equipment at its flat-rolled facility in Berkeley, S.C. to improve its production of automobile grade steel.[32] Ispat Inland has made a multi-million dollar investment in relining its number 7 blast furnace, with plans to close one of its less efficient blast furnaces at the completion of that project.[33] Gallatin has committed nearly $10 million to a variety of smaller investments to reduce costs, improve quality, and open up new product applications.[34] Gallatin also reported that caster improvements and upgrading of its rolling mill operation were awaiting funding.[35] Weirton reported that the installation of a polymer coating line, caster improvements, and galvanized line work were in the pipline.[36]

In addition to industry and firm specific adjustment efforts, there have been important developments in the collective bargaining process. In September 2002, at its Basic Steel Industry Conference (BISC), the USWA adopted a new set of principles to secure labor agreements that, according to the USWA, would save jobs in the steel industry and maintain or enhance living standards of its members and retirees while aiding U.S. steel producers to recover from bankruptcy and become

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[27] Testimony of Roy G. Dorrance, Vice Chairman, U.S. Steel Corp, transcript of Commission hearing (July 22, 2003) at 160.

[28] Posthearing brief of U.S. Steel at A-1-A-2.

[29] Posthearing brief of ISG at 6.

[30] Posthearing brief of U.S. Steel at exh. 23.

[31] Posthearing brief of ISG at A-3.

[32] Testimony of Daniel DiMicco, Vice Chairman, President and CEO, Nucor Corp., transcript of Commission hearing (July 22, 2003) at 155.

[33] Testimony of Stephen Rogers, Vice President, Sales and Marketing, Ispat Inland, Inc., transcript of Commission hearing (July 22, 2003) at 173.

[34] Testimony of Mr. Edward Puisis, Chief Financial Officer, Gallatin Steel Company, transcript of Commission hearing (July 22, 2003) at 186.

[35] Ibid. at 229.

[36] Testimony of Michael Scott, Vice President of Marketing and Sales, Weirton Steel Corp., transcript of Commission hearing (July 22, 2003) at 228-229.

successful.[37] The BISC bargaining principles include: (1) company pursuit of financial viability; (2) streamlined and simplified operating procedures, with fewer supervisors, protected worker seniority, safety, and with USWA workers; (3) preservation of existing levels of wages and benefits; (4) preservation of pension benefits; (5) a greater role by the USWA in company activities; (6) profit sharing; (7) obligations by the companies to make appropriate capital expenditures and restrictions on company owner and executive compensation at the expense of workers; and, (8) medical care for retirees to the extent possible.[38]

Because the USWA pursues a "pattern bargaining" approach,[39] the BISC principles were the basis of recent agreements that were concluded in 2003 with ISG, U.S. Steel, and Wheeling-Pittsburgh Steel.[40] In January 2003, an agreement was reached between USWA workers and ISG, which had purchased the assets of LTV and proposed buying other steel companies in bankruptcy. The agreement includes a benefit trust to provide for funding of health-care for retirees of predecessor companies.[41] That agreement allows for a significant reduction in employee and retiree healthcare expenses through a variable cost sharing mechanism, and provides for early retirement incentives. The contract also provides for profit sharing from significant productivity gains. A similar labor contract was ratified in May 2003 between USWA workers and U.S. Steel.[42] When ratified, the contract would expire in September 2008. In June 2003, the USWA ratified an agreement with ISG for steelworkers at the former Bethlehem Steel facilities. The agreement, which expires in September 2008, includes provisions for pension benefits under a defined benefit plan and a fund to provide health care for retirees of Bethlehem Steel, together with profit-sharing and labor productivity arrangements.[43] In July 2003, the USWA approved a 5-year agreement with Wheeling-Pittsburgh Steel.[44] The agreement satisfied one of several conditions set by the Emergency Loan Guarantee Board for a U.S. government loan guarantee for the company, and was one reason that Wheeling-Pittsburgh Steel successfully emerged from bankruptcy in August 2003. The agreement includes provisions to allow workers with 30 years of service to retire with full pensions before age 62 and employee profit sharing.[45]

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[37] *See* posthearing brief of USWA, 3. *See also* USWA, press release, "USWA Launches New Bargaining Initiatives Aimed At Saving Steel Jobs and Securing Member and Retiree Living Standards," September 20, 2002, found at *http://www.uswa.com*, retrieved August 27, 2003.

[38] Posthearing brief of USWA at exh. 2.

[39] Pattern bargaining is used by unions to obtain similar labor agreements covering its members within an industry.

[40] The USWA is not represented at Nucor, Rouge Steel, or Weirton Steel. *See* posthearing brief of USWA at 17.

[41] USWA, press release, "Steelworkers' Tentative Agreement with ISG Will Fund Health-Care Relief for LTV, Acme Retirees," January 29, 2003, found at *http://www.uswa.com*, retrieved August 27, 2003.

[42] U.S. Steel Corp., press release, "USWA: Ratification of USS-National Agreement 'Another Milestone in Industry Consolidation', " May 19, 2003, found at *http://www.ussteel.com*, retrieved September 19, 2003.

[43] USWA, press release, "Steelworkers at Former Bethlehem Facilities Overwhelmingly Ratify Agreement with New Owners, International Steel Group (ISG)," June 16, 2003, found at *http://www.uswa.com*, retrieved August 27, 2003.

[44] USWA, press release, "Steelworkers at Wheeling-Pitt Approve 5-year Agreement," July 30, 2002, found at *http://www.uswa.com*, retrieved August 27, 2003.

[45] USWA, press release, "USWA Tentative Agreement "First Step" Toward Saving Wheeling-Pittsburgh Steel," September 13, 2001, found at *http://www.uswa.com*, retrieved August 27, 2003.

In general, these recent labor agreements represent a significant change to prior agreements and include the following features:[46]

- The steel company is obligated to make reasonable and necessary capital expenditures in order to maintain a competitive facility.

- A transition assistance program aims to aide employees leaving steel companies. Currently, the program consists of payments of $40,000 to $50,000 for the purchase of healthcare after separation from the steel company, particularly for former employees of Bethlehem Steel, ISG, Acme Metals, and National Steel.

- The steel company creates a benefit trust to provide some health-care relief to retirees of its predecessor companies. The trust is a Voluntary Employees' Beneficiary Association and is funded from company profits.[47]

- Workplace changes are made including:

    - Job structure (reduced job descriptions from 34 to 6 or 5, and consolidated wage grades).
    - Innovative training agreements with the company, where USWA members play a role in developing and delivering the training.
    - Worker control over their own schedules to give workers flexibility.
    - Profit sharing based on the company's profits before EBITDA (earnings before interest, taxes, depreciation, and amortization). Profit sharing agreements include simplification and increase transparency of company incentive structures.
    - Restrictions on executive compensation, including procedures on how executives would receive stock options and how they would participate in profit sharing (access to profits after profit sharing proceeds were given to USWA members and retirees).
    - Wage structure maintained (protected).

- The company may have to obtain raw materials, such as iron ore or coke, from North American suppliers,[48] and there are limitations on contracting out services and production.[49]

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[46] *See* testimony of Leo W. Gerard, International President, United Steelworkers of America, transcript of Commission hearing (July 22, 2003) at 165-170, and transcript of Commission hearing (July 17, 2003) at 80. For a brief summary of the USWA-ISG agreement, *see* prehearing brief of USWA, 28-31. *See also* written testimony of Leo W. Gerard, International President, United Steelworkers of America, transcript of Commission hearing (July 22, 2003) at 13.

[47] The trust is created under IRS Code section 501(c)(9) and contributions to the fund the trust are tax deductible under IRS Code section 419A.

[48] *See* testimony of Leo W. Gerard, International President, United Steelworkers of America, transcript of Commission hearing (July 17, 2003) at 81.

[49] USWA, Proposed Agreement Between U.S. Steel and the United Steelworkers of America, May 2003, found at *http://www.uswa.org/pdf/051903_USWAUSSummary.pdf*, retrieved September 16, 2003.

The effect of such agreements is expected to be significant. For example, an executive of U.S. Steel stated that the recent labor agreement with the USWA marks the first time in recent history that "U.S. Steel and the steelworkers union have truly gotten together as partners."[50] The effects at U.S. Steel are perceived as a "dramatic" restructuring of the workplace for union and non-union employees. Job classes declined from 34 to 5. Worker self-supervision has increased, and will rise in the future. The restructuring of job classes, performance of work activities, and a shift in supervisiory responsibilities to workers, are expected to lead to a 20 percent improvement in productivity and a portion of the estimated $200 million in savings U.S. Steel expects to realize in its acquisition of National Steel.[51] The new agreements may result in a new corporate culture at steel plants with USWA representation. For example, an ISG official highlighted worker suggestions on how to improve production processes and that workers will immediately see rewards in their paychecks.[52]

The union representing steelworkers at Weirton Steel Corp. is the Independent Steelworkers Union (ISU). In March 2001, Weirton's previous four and a half year agreement with the ISU expired, but the agreement was renewed in August 2001.[53] In 2001, the ISU recognized that Weirton was in a weakened state and agreed to work with the company to restructure the labor agreement between the company and the union to change work rules and reduce the labor force by 550, including 450 positions represented by the ISU and 100 persons from the management staff.[54] In late 2001, Weirton and Wheeling-Pittsburgh Steel, with the backing of the ISU and USWA, combined to purchase healthcare coverage for employees, retirees, and their dependents. Agreement was reached with local healthcare providers, effective January 1, 2002, to reduce claims processing costs and implement a regional pricing system for healthcare providers.[55] In late 2002, the ISU and Weirton began negotiating modifications to their labor agreement. In February 2003, new labor agreement was ratified by the ISU. The agreement, affecting 3,200 unionized employees, and resulting in a potential annual operating cost savings of $38 million, provided for (1) a 5-percent pay decrease; (2) a pension plan freeze (about 17 percent of wages and benefit costs); (3) cancellation of a planned $1.00 per hour wage increase set to begin April 1, 2003; (4) vacation pay paid in two installments, February and July of 2003, rather than in February, resulting in immediate savings of $6 million; and (5) future discussions on healthcare coverage changes for

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[50] *See* testimony of Roy G. Dorrance, Vice Chairman, U.S. Steel Corp., transcript of Commission hearing (July 22, 2003) at 205.

[51] Ibid., 206-207.

[52] *See* testimony of Wilbur L. Ross, Jr., Chairman of the Board of Directors and Director, ISG, transcript of Commission hearing (July 22, 2003) at 208-209.

[53] Weirton Steel Corp., press releases, "Weirton Steel , Independent Steelworkers Union Reach Tentative Labor Agreement," May 18, 2001, and "Plan to Ensure Weirton Steel's Future Announced," August 24, 2001, both found at *http://www.weirtonsteel.com/company/invest/press/index.html*, retrieved September 5, 2003.

[54] *See* testimony of Mark Glyptis, President, Independent Steelworkers Union, transcript of Commission hearing (July 22, 2003) at 190, and Weirton Steel Corp., press release, "Additional Details of Restructuring Plan Released; Job Reductions Forthcoming Including Executive Staff; CEO Says Company Will Be 'Very Different'," September 7, 2001, found at *http://www.weirtonsteel.com/company/invest/press/index.html*, retrieved September 5, 2003.

[55] Weirton Steel Corp., press release, "'Steel Coalition' To Reduce Health Care Costs for Weirton Steel and Wheeling-Pittsburgh Steel," October 11, 2001, found at *http://www.weirtonsteel.com/company/invest/press/index.html*, retrieved September 5, 2003.

employees and retirees.[56] During the past two years, under labor agreement provisions, job restructuring has occurred. Where applicable, the number of workers performing a job was reduced, operating workers took up maintenance duties, and workers were empowered to work in self-directed teams, with the goal of achieving a production rate of less than two man hours per ton of steel produced.[57]

Other labor agreements between steelworkers and steel producers will likely come up for renegotiation in the next few years, and may incorporate the provisions of contracts concluded in 2003. In mid-2003, the USWA was in discussions with WCI Steel, Inc. to assist in the company's restructuring outside of bankruptcy, and the possible implementation of self-directed work teams to help reduce production costs and avoid bankruptcy.[58] Other agreements up for renewal in the future include those that went into effect in 1999 and 2000 with a duration of 5 to 6 years. For example, Ispat Inland signed a labor agreement with the USWA in 1999; and by the end of 2000, AK Steel had 7,500 of its 11,500 employees covered by labor contracts with international and domestic unions with expiration dates extending through 2006.[59] In August 2000, the UAW workers at Rouge Steel Company ratified a 4-year labor agreement covering 2,400 UAW workers. The agreement at Rouge Steel provided for wage and benefit increases, as well as greater employee participation in company operations and greater flexibility for the company to efficiently utilize its workforce.[60]

Representatives of several foreign steel producers or trade associations acknowledge that recent labor agreements have resulted in reduced costs and increased productivity.[61] However, other parties to this investigation have stated that recent labor agreements have provisions that are potentially harmful to the competitiveness of the U.S. steel industry. Such provisions include restrictions on the ability of companies to close facilities, to supplement or substitute imported feedstock for internally produced feedstock, or to shift to electric arc furnace technology from integrated production.[62] A USWA representative disputed the claim that the agreements hinder companies from undertaking these types of actions.[63]

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[56] Testimony of Mark Glyptis, President, Independent Steelworkers Union, transcript of Commission hearing (July 22, 2003) at 190-191, and Weirton Steel Corp., press releases, "Tentative Contract Agreement Details At Weirton Steel Released," February 13, 2003, and "Weirton Steel's Competitiveness Boosted By New Labor Accords," February 19, 2003, found at *http://www.weirtonsteel.com/company/invest/press/index.html*, retrieved September 5, 2003.

[57] *See* testimony of Mark Glyptis, President, Independent Steelworkers Union, transcript of Commission hearing (July 22, 2003) at 272-273.

[58] Prehearing brief of USWA at 18.

[59] Ispat International, N.V., *Annual Report 1999*, 45; and AK Steel Holding Corp., Form 10-K, filed with the SEC on February 20, 2001, found at *http://www.sec.gov*, retrieved August 27, 2003.

[60] Rouge Steel Co., press release, "Rouge Steel Workers Approve New Four-Year Labor Contract," August 10, 2000, found at *http://www.rougesteel.com*, retrieved September 5, 2003.

[61] *See* testimony of Richard O. Cunningham, counsel to Corus Group, transcript of Commission hearing (July 22, 2003) at 422. Prehearing brief of the Joint Respondents at 12 and 14-16.

[62] *See* testimony of William H. Barringer, counsel to Japanese respondents, transcript of Commission hearing (July 22, 2003) at 121 and 415-418. *See also* testimony of Don Cameron, counsel to Korean respondents, transcript of Commission hearing (July 22, 2003) at 360-362; and testimony of Christian Mari, Director of External Relations, European Confederation of Iron and Steel Industries, transcript of Commission hearing (July 22, 2003) at 421. *See also* posthearing brief of the joint respondents at 12-13.

[63] Testimony of Leo W. Gerard, International President, United Steelworkers of America, transcript of Commission hearing (July 17, 2003) at 233-234.

Aside from labor agreements, the USWA also reported involvement in facilitating industry preservation and consolidation. During LTV's bankruptcy, the USWA sought to maintain the company's furnaces and coke operations on hot idle, and reportedly convinced the bankruptcy judge to provide $15 million from the company's estate to maintain those facilities in the hot state.[64] The USWA urged ISG to acquire Bethlehem Steel, thus maintaining Bethlehem's facilities intact.[65] The USWA has also petitioned the Department of Labor in accordance with the Trade Adjustment Assistance Program to assist workers.[66]

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) any adjustment plans their firms submitted during the section 201 investigation, (2) the significance of the section 203 relief on their firm's operations, and (3) the efforts they have undertaken to compete more effectively in the U.S. market. A public summary of these responses are presented in table FLAT IV-3 and the responses of firms are presented in the following table FLAT IV-4.

At its public hearing, the Commission requested domestic producers to provide information regarding adjustment efforts in a public format, to the extent possible.[67] To the extent that domestic producers complied with this request, the information is presented below, in table FLAT IV-3.

[64] Testimony of Leo W. Gerard, International President, United Steelworkers of America, transcript of Commission hearing (July 17, 2003) at 75.

[65] Ibid., 75-76.

[66] Posthearing brief of USWA at 22-23 and exh. 3.

[67] *See* requests of Chairman Okun, Commissioner Miller, and Commissioner Koplan, transcript of Commission hearing (July 22, 2003) at 267-270 and 294.

Table FLAT IV-3
Flat steel: Comments of U.S. producers (public)

Firm/products/comments	
Gallatin (hot-rolled)	
	Acquisition of a cut-to-length facility of Ghent (Huntco).
IPSCO Enterprises (slabs, plate, and hot-rolled)	
	--Over the last several years IPSCO has invested more than 1.0 billion dollars in new steel plants and equipment. On top of that foundation IPSCO has made the following additional capital expenditures under its adjustment plan: * Spare parts to maintain the efficiency of ongoing operations. A further amount has been committed to purchase additional spare parts. * A warehouse facility at IPSCO"s Mobile works for the purpose of increasing market share. * Information processing systems to improve administrative efficiency. Improvements to information systems are an ongoing matter to which the company will apply funding as available. * Surface equipment to provide on line quality information. * Development of sophisticated grades of steel. –IPSCO is accelerating its plans to expand its offering of higher-grade specialty products. In a number of areas, these steels will replace heat-treated products with as-rolled steels of equal or better performance on a more competitive cost basis.
ISG (Acme, Bethlehem & LTV) (slabs, plate, hot-rolled, cold-rolled, coated, and tin)	
	ISG entered the steel industry in April 2002 with the idea of making a fundamental change to how integrated steel companies had been organized and operated in the past. When ISG acquired the LTV assets in April 2002, it did so with the goals of greatly reducing the overhead costs to a dramatically low level compared to where they had been when LTV was till operating, and de-centralizing the organization and empowering each of the steel-producing locations (i.e., Cleveland Works, Indiana Harbor, Hennepin, and the Warren coke operations) such that they would run as individual business units and profit centers. Because each former LTV facility was now operating to generate its own profits as well as "spending its own money," they had great incentive to dramatically reduce their operating costs, which they did through a combination of significant reductions in the work force and elimination of restrictive work rules. The workers have responded very well to the increase in responsibilities. With the acquisition of substantially all of the assets of Bethlehem Steel, ISG has put in place an integration plan for the next 17 months that incorporates the synergies that we expect to realize from this acquisition. The fact that we now have 11 major steel producing facilities in 6 states affords us the opportunity to save on freight costs and have the flexibility to move an order from one location to another without incurring major downtime and or cost overruns. This also will allow ISG to have longer run times on operating units, which creates costs savings. In addition, we will have the added benefit of reducing the combined Information Technology costs by moving Bethlehem's system over to ISG's system. The new collective bargaining agreements with the USWA have transformed the role of the workers with the elimination of restrictive work rules and reduction of job classifications from 34 to 5. These and other measures have substantially improved ISG's cost structure. In 2002, ISG made aggregate capital investment of $53 million in its facilities at LTV (acquired in April) and Acme (acquired in October). This investment permitted ISG to start up the idled production facilities of LTV and Acme and begin the process of modernizing the rolling facilities. This is, of course, in addition to the $500 million of investment that ISG made to acquire the LTV and Acme facilities. During this same period, Bethlehem made an aggregate capital investment of $174.3 million in its facilities, which included converting a coating line at Columbus Coatings from an electric galvanizing line to a hot-dip galvanize line. The advantage of this conversion is that it will reduce the cost of the product to customers. Other investments by Bethlehem in 2002 were related to environmental regulation and information technology. In 2003, ISG has continued to make substantial capital expenditures, as identified in the five-year plan. About $50 million of these expenditures have been deferred.

Table continued.

Table FLAT IV-3--*Continued*
Flat steel: Comments of U.S. producers (public)

Firm/products/comments	
Nucor (slabs, plate, hot-rolled, cold-rolled, and coated)	
	Nucor purchased the assets of Trico Steel in Decatur, Alabama for $166.7 million. Trico has 1.9 million tons of capacity, which increases Nucor's capacity to produce flat-rolled products by about 30 percent.
WCI Steel (slabs, plate, hot-rolled, cold-rolled, and coated)	
	Invested more than $5 million in new NOx monitors, basic oxygen furnace vessel replacement, hydrogen annealing expansion, new solid waste facility and new pond liners in Warren.
Weirton (slabs, hot-rolled, cold-rolled, coated, tin)	
	The firm's collective bargaining agreements were renegotiated during the first quarter of 2003 (will save $38 million per year). Changes include: a 5% wage reduction and foregoes a contractual increase of $1.00/hour; vacation payment was rescheduled; retirement plan was frozen; management and union to discuss job eliminations and additional force reductions and payscales; lower healthcare costs through some type of co-pay. Management employees will incur similar concessions. Retiree's under age 65 have been asked to voluntarily pay for part of their healthcare coverage. Approximately 65% have agreed to pay $200 per month toward the expense and accept a revised prescription drug plan. Investments made: energy projects (sold NOx credits, hot mill furnace
U.S. Steel (slabs, plate, hot-rolled, cold-rolled, coated, and tin)	
	Purchase of National Steel for $1.05 billion is expected to produce annual cost savings of at least $200 million. In addition, new labor agreement with USWA (covering employees at both the U.S. Steel and National facilities) is expected to result in productivity improvements of at least 20 percent. U.S. Steel has approved approximately $200 million since March 2002 to improve and upgrade existing flat-rolled steel facilities. These projects–many of which were identified in the adjustment plans of U.S. Steel filed during the original Section 201 investigation--are expected to save millions of dollars each year through productivity and energy efficiency. They will also improve the quality of the products U.S. Steel offers to its customers. These investments involve each process in the manufacture of flat-rolled steel. In particular, approximately one-half of the spending has been dedicated to steelmaking (i.e., blast furnace and basic oxygen furnace) operations, which will reduce costs and improve quality for all flat-rolled products. Roughly one-fifth of the investments will be made at U.S. Steel's hot-strip mill operations, while about one-sixth will be made at its cold-reduction mill operations. These improvements will benefit hot-rolled and cold-rolled steels, as well as downstream products such as corrosion-resistant and tin mill steels. The remaining expenditures reflect investments specifically relating to U.S. Steel's galvanizing and tin mill operations.
Source: Compiled from posthearing briefs.	

Table FLAT IV-4
Flat steel: Comments of U.S. producers (confidential)

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CHAPTER 3

CARBON AND ALLOY LONG STEEL

PART I: OVERVIEW (LONG STEEL)

ORGANIZATION OF THIS SECTION

Information in this carbon and alloy long steel (long steel)[1] section is organized into five parts: (1) overview of issues concerning the industries producing long steel products; (2) industry and market data for hot bar; (3) industry and market data for cold bar; (4) industry and market data for rebar; and (5) adjustment efforts of U.S. long steel producers. Information collected on foreign industries producing long steel products is presented in appendix G.

U.S. PRODUCERS

Information on the number of reporting U.S. producers of long steel and a summary of U.S. producers' positions with respect to the section 203 relief are presented in table LONG I-1.[2] A list of U.S. producers of long steel providing a response to the Commission's producers' questionnaire in this investigation is presented in table LONG I-2.

Table LONG I-1
Long steel: Summary of U.S. producers' positions with respect to the section 203 relief, by products and forms

Item	Support relief	Oppose relief	Take no position	No response	Total
Hot bar	19	0	1	0	20
Cold bar	15	2	2	0	19
Rebar	10	0	1	0	11

[1] Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG I-2
Long steel: U.S. producers' production, by products, April 2002-March 2003

* * * * * * *

[1] For purposes of this report, the term "long steel" consists of subject hot bar, cold bar, and rebar.

[2] As previously mentioned, information on U.S. producers' positions with respect to the section 203 import relief, by firms and by products, is presented in app. E. In some instances, firms have expressed positions for products they do not produce.

STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing hot bar, cold bar, and rebar, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments, is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table LONG I-3. Table LONG I-4 presents industry mergers and acquisitions. Table LONG I-5 presents major publicly announced capital investments of U.S. producers.

Timelines

Figure LONG I-1 includes data on the raw steel production capability of bankrupt firms, illustrating that bankruptcies of large firms occurred throughout the period under review. Figure LONG I-2 illustrates the timeline for mergers and acquisitions of companies by steel-producing firms in the long products sector.[3] It shows that merger and acquisition activity, both number of instances and raw steel capacity involved,[4] was low until December 2001, then grew during the first year of the safeguard measures.

[3] Firms that have name changes as a result of takeovers of shutdown facilities by investor groups or other non-steelmaking entities are not included.

[4] Although the purchase of the shuttered Susquehanna Steel Mill by Instil USA is shown on the timeline, the related raw steel capacity of Susquehanna is not included on the bar chart because it was shuttered at the time of purchase and did not start up during the period depicted in the timeline.

Table LONG I-3
Long steel: U.S. producers of subject products that have filed for bankruptcy protection, 1999-2003

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability *(million short tons)*	Employees affected	Comments
March 1999	Qualitech Steel *Pittsboro, IN*	Special bar quality hot-rolled round bars	Shut down January 2001	0.6	350	Wholly owned iron carbide direct reduction plant in Corpus Christi, TX also shut down. Pittsboro, IN assets purchased September 2002 by Steel Dynamics, Inc., with expected restart in the first quarter of 2004 as a producer of special quality bars, rebar, and light sections.
June 2000	J&L Structural *Aliquippa, PA*	Light structural sections	Shut down August 2002	None	275	
December 2000	Northwestern Steel & Wire *Sterling, IL*	Structural steel, hot-rolled merchant bar, wire rod, wire	Shut down May 2001	2.4	1,500	Melting equipment and wire rod mill purchased by Sterling Steel, a division of Leggett & Platt. Restarted, to produce rod primarily for own use.
January 2001	CSC *Warren, OH*	Carbon and alloy steel hot-rolled and cold-finished bar	Shut down April 2001	0.5	1,400	Privately owned by Reserve Group, Akron, OH.
February 2001	GS Industries *Georgetown, SC* *Kansas City, MO*	Carbon and alloy steel rod, wire, hot-rolled bars, and grinding media (balls and rods)	MO plant closed; SC plant operating	2.0	800	Permanently closed Kansas City operations with 1 million tons capacity and 800 employees. Georgetown assets (rod mill) purchased by Georgetown Steel Co., LLC, August 2002 and in operation.
April 2001	Republic Technologies International *Lorain, OH* *Canton, OH* *Massillon, OH* *Lackawana, NY* *Gary, IN* *Cartersville, GA*	Carbon and alloy steel hot-rolled and cold-finished bar, billet, wire	Operating	3.2	4,600	Joint venture of Blackstone Capital Partners (***%), USX (***%) and Kobe Steel (Japan) (***%). Operating assets acquired by Gerdau AmeriSteel (Cartersville) in June 2002 and by Republic Engineered Products, LLC, August 2002. Most operations continue.
July 2001	Laclede Steel *Alton, IL* *Fairless Hills, PA*	Carbon and alloy steel hot-rolled bar, pipe, welded chain	Shut down August 2001	0.6	525	Original bankruptcy filing in November 1998. Emerged from bankruptcy January 2001. Filed for bankruptcy July 2001. Melt shop and bar mill assets in IL acquired by Alton Steel in January 2003; melt shop restarted September 11, 2003 and projected restart of rolling mill is for later in September.
August 2001	Riverview Steel *Glassport, PA*	Rebar	Shut down August 2001	None	60	Shut down 2000, re-opened spring 2001, shut down again in August 2001. Privately owned by Sherman International Corp.
December 2001	Sheffield Steel *Sand Springs, OK* *Joliet, IL*	Carbon and alloy steel hot-rolled special and merchant quality bar, rebar, fence posts	Operating	0.6	610	Emerged from bankruptcy August 2002.

Table continued.

Table LONG I-3--*Continued*
Long steel: U.S. producers of subject products that have filed for bankruptcy protection, March 1999-March 2003

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability *(million short tons)*	Employees affected	Comments
March 2002	Calumet Steel *Chicago Heights, IL*	Hot-rolled alloy steel bar and carbon steel light shapes	Shut down March 2002	0.2	210	Chapter 7 (liquidation) filing. Assets acquired by MZG Associates II, LLC, Lansing, IL, November 2002.
June 2002	Birmingham Steel, *Birmingham, AL* *Kankakee, IL* *Seattle, WA* *Jackson, MS*	Rebar and carbon and alloy steel hot-rolled merchant bar and light shapes	Operating	2.5	1,300	Assets acquired by Nucor Corp., December 2002, and operations continue.
January 2003	Bayou Steel *LaPlace, LA*	Carbon steel hot-rolled merchant bar and light structural sections	Operating	0.8	510	
February 2003	Kentucky Electric Steel *Ashland, KY*	Carbon and alloy steel hot-rolled flat and square bars	Shut down January 2003	0.4	326	Assets acquired by KES Acquisition Co., August 2003.
June 2003	Slater Steels *Fort Wayne, IN* *Lemont, IL* *Canada*	Carbon and alloy hot-rolled and cold-finished bars, stainless steel bar and light structural sections	Operating	None in the United States		Filing of Canadian parent company under Canadian law concurrent with filing in United States.

Source: Compiled from various public sources.

Table LONG I-4
Long steel: Significant steel company mergers and acquisitions, 1999-2003

Month and Year	Company	Description and capabilities
		Million short tons of raw steel[1]
August 1999	Republic Technologies	Republic Technologies (0.8 capability) acquired bar assets of USS-Kobe Steel (for a total 2.4 capability). Republic Technologies had been formed in a merger of Republic Engineered Steels and Bar Technologies in September 1998. Bar Technologies was itself the result of a merger in 1996.
September 1999	AmeriSteel	Controlling interest in AmeriSteel (2.2 capability) was acquired from Kyoei Steel by Gerdau, a Brazilian company with ownership of minimill operations in Canada and Latin America. In 2001, management of AmeriSteel and Gerdau-Courtice, a Canadian company, were merged to operate as a single entity.
April 2001	Nucor	Nucor, the largest U.S. minimill steel producer (3.8 capability), acquired Auburn Steel's Auburn minimill (0.5 capability) that produces hot-rolled bar, rebar, and light structural sections.
July 2001	International Steel & Tube Industries (Istil USA)	Istil USA (with no U.S. raw steel capability) acquired assets of the shuttered Susquehanna Steel Mill, Milton, PA (0.2 capability), that produced hot-rolled bar, rebar, and light structural sections. The minimill is in a pre-startup phase.
December 2001	Gerdau AmeriSteel	Gerdau AmeriSteel (2.2 capability) purchased Birmingham's Cartersville, GA minimill (1.0 capability) that produces light and medium structural sections and flat bars.
March 2002	Charter Steel	Charter Steel, a minimill rod producer (with no subject long-product raw steel capability) purchased Birmingham's Cleveland, OH rolling mill (0.6 capability) that produces special quality bar products, wire rod, and wire.
June 2002	Gerdau AmeriSteel	Gerdau AmeriSteel (3.2 capability) purchased Republic Technology's Cartersville, GA carbon steel cold-finished bar mill (with no raw steel capability).
August 2002	Republic Engineered Products	Newly established Republic Engineered Products acquired most of the assets of Republic Technologies International (3.2 capability), a minimill producer of hot-rolled and cold-finished bar.
September 2002	Steel Dynamics	Steel Dynamics, a minimill producer (with no subject long raw steel capability), finalized the purchase of the assets of Qualitech Steel SBQ LLC, a minimill producer (0.6 capability). Steel Dynamics will convert the unit, which produced special quality bar products, to also produce light structural sections and rebar.
September 2002	Slater Steels	Slater Steels (with no U.S. raw steel capability) purchased Auburn Steel's Lemont, IL, minimill (0.5 capability that has been shuttered since February 2001) that produced merchant quality bar and rebar. In December 2002, re-commissioned the mill with plans to ramp up production of carbon and stainless steel merchant and special quality bars, and rebar.
October 2002	Gerdau AmeriSteel	Gerdau (3.2 capability), a Brazilian steel company with both Canadian and U.S. minimills, merged with Co-Steel Inc. (1.8 capability), a Canadian firm also having both Canadian and U.S. minimills. The merged firm, Gerdau Ameristeel Corp., operates 11 minimills in the United States and Canada.
November 2002	MZG Associates II	Acquired assets of Calumet Steel (0.2 capability).
December 2002	Nucor	Nucor (4.3 capability) acquired the assets of Birmingham Steel Corp., a large minimill company with four mills (2.4 capability) producing hot-rolled bar, rebar, and structural sections.
January 2003	Alton Steel	Acquired Alton IL melt shop (0.6 capability) and bar mill assets of Laclede Steel.
March 2003	Nucor	Nucor (6.7 capability) acquired the assets of the Kingman, AZ, rebar and wire rod minimill (0.5 capability) from North Star Steel. The Kingman melt operation has not operated since January 2000 and the rolling mill has been idle since March 2003.
May 2003	International Steel Group	ISG, a large, integrated flat steel producer (with no long-product capability), purchased the assets of Bethlehem Steel Corp., a large, integrated producer of all flat-rolled products, including the Steelton, PA mill (1.2 capability) that produces rail, hot-rolled flat bar, forging steels, and ingots.
August 2003	KES Acquisition Co.	Acquired assets of Kentucky Electric Steel, a minimill producer (0.3 capability) of hot-rolled bars.

[1] Raw steel capabilities shown are only those for subject long-product facilities.

Source: Compiled by Commission staff from various public sources.

Table LONG I-5
Long steel: Major capital investments of U.S. steel companies, as reported in public sources, 1998-2003

Year	Company and location	Facility	Reported investment
			Million dollars[1]
1998	Qualitech Steel *Pittsboro, IN*	500,000 tons per year special bar quality products mill complex.	200
2000	Northwestern Steel & Wire *Sterling, IL*	New 415-ton AC energy-optimized EAF and continuous caster improvements to increase productivity and decrease tap-to-tap time.	10
2000	Ispat Inland *Indiana Harbor, IN*	Upgraded transformer of EAF to increase capacity at Bar Products Division.	
2000	Charter Steel *Fostoria, OH*	40,000 tons per year processing facility for bar, rod, and wire.	16
2001	Tamco *Rancho Cucamonga, CA*	Major modernization completed, including new transformer and controls for the EAF, new 5-strand billet caster, upgrades to the reheat furnace to increase heating capacity, and new mill drives and controls for the rebar rolling mill.	9
2001	Calumet Steel *Chicago Heights, IL*	New 2-strand continuous billet caster commissioned.	
2001	Connecticut Steel *Wallingford, CT*	Rolling mill upgraded with state-of-the-art high-speed trimming shear for increased efficient and precise trimming of larger-diameter coiled bar and rebar.	
2001	Macsteel *Jackson, MI*	New roller hearth furnace commissioned to increase bar production capacity by one-third. Also includes new specialized heat-treating, bar straightening, and testing equipment.	30
2001	Nucor *Jewett, TX*	Bar and light-section rolling mill upgraded.	
2001	Connecticut Steel *Wallingford, CT*	Modifications to rolling mill to roll larger billets completed.	
2002	Bayou Steel *Harriman, TN*	New 6-stand hot-bar roughing mill commissioned to replace cantilevered mill.	8
2002	Charter Steel *Saukville, WI*	Production of quality bar-in-coils commenced at bar mill upgraded with a new 5-stand reducing and sizing block, and coilers.	
2002	North Star Steel *Monroe, MI*	New automation and drive systems for the roll stands of the special quality bar mill to improve product quality.	
2002	North Star Steel *Wilton, IA*	Additional sidewall oxygen and carbon injectors were installed on the EAF to increase production, among other investments.	36.6
2002	Co-Steel *Perth Amboy, NJ*	Start-up of CoJet gas-injection system for the EAF.	
2002	Nucor *Norfolk, NE*	Upgraded the bar and light-section mill into a modern twist-free and tension-free mill with 18 new stands in a convertible arrangement for quick changes to produce a wider size range of bars and light structural sections.	
2002	CMC Steel *Cayce, SC*	Upgraded the EAF, new material handling equipment, extended the meltshop bay, and installed scratch-reduction rolls on the cooling bed for large-diameter special bar quality round bars.	4.2

Table continued. See footnote at end of table.

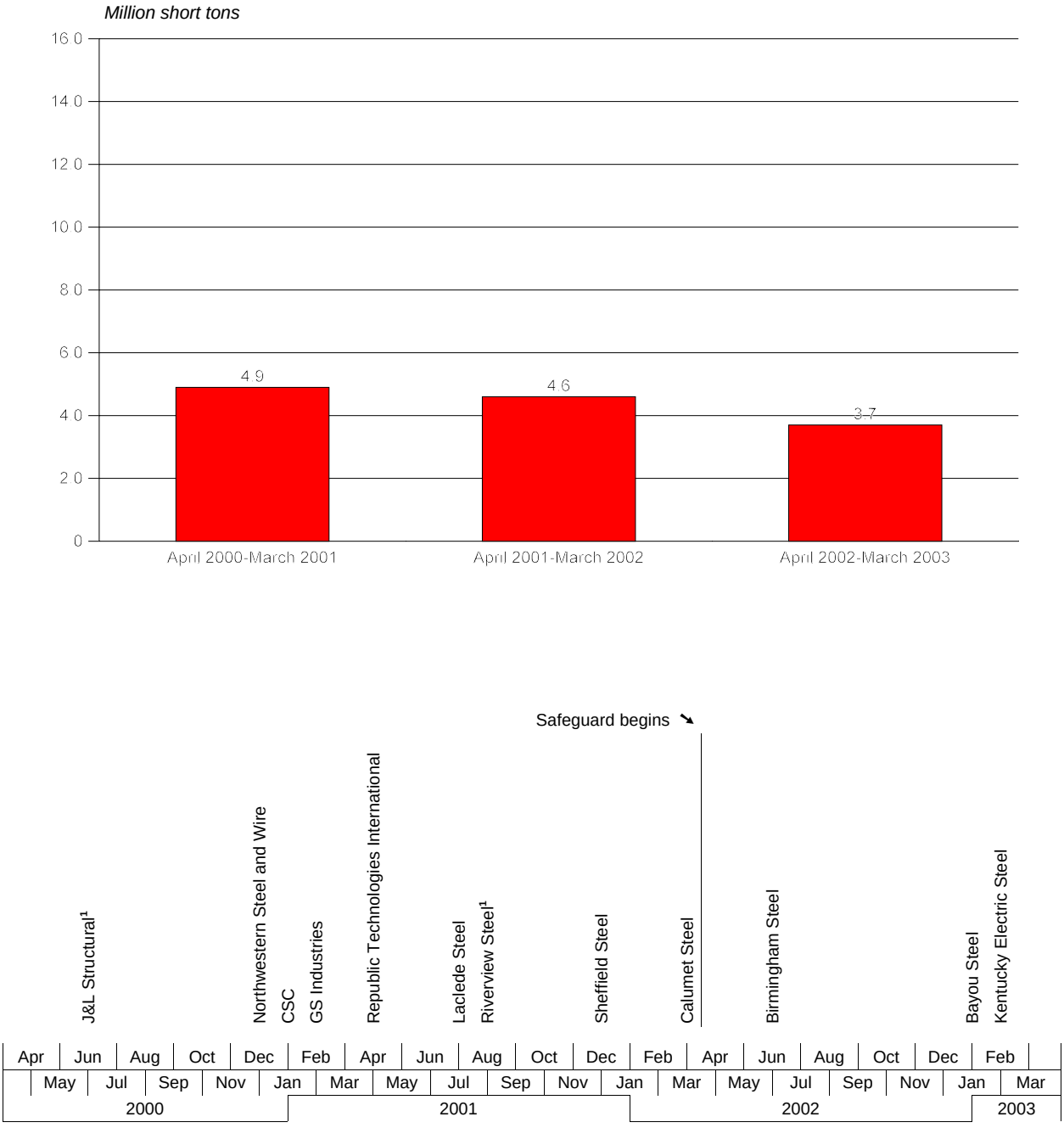
Table LONG I-5--*Continued*
Long steel: Major capital investments of U.S. steel companies, as reported in public sources, 1998-2003

Year	Company and location	Facility	Reported investment
			***Million dollars*[1]**
2003	Gerdau AmeriSteel *Baldwin, FL*	Equipment upgraded to improve alignment between the finishing mill and coilers, allowing the mill's single-strand rod outlet to roll wire rods and rebar more consistently at high speeds.	
2003	Republic Engineered Products *Lorain, OH*	Production commenced at new 20-inch bar mill, as part of plan to improve bar quality (especially dimensional, straightness, and end conditions), and to move production of larger-diameter bars to the newly modernized Lorain mill from the older 18-inch mill at Massillon, OH.	19.7
2003	Gerdau AmeriSteel *Knoxville, TN*	Enhancements to improve the efficiency of the EAF with installation of a carbon-injection unit and improved weighting system.	
2003	Gerdau AmeriSteel *Jackson, TN*	Modernization plans for a 4-strand continuous billet caster to expand production capacity, improve product quality, and offer greater range of steel grades.	
2003	Nucor *Darlington, SC*	Modernized the bar and section mill with a new finishing end (including a longer cooling bed, and upgraded modern straightening, cutting, magnetic stacking, and automatic packaging facilities) for increased production capacity, efficiency, and final product quality of bars and light structural sections.	
2003	CMC Steel *Cayce, SC*	Announced (2003) upgrades planned for the EAF include new transformer, switchgear and breakers, an additional CoJet burner system, and baghouse expansion.	8.4
2003[2]	Alton Steel *Alton, IL*	Investment reportedly considered (January 2003) to restart operations of former Laclede melt shop and bar mill.	15
2004[2]	Steel Dynamics *Pittsboro, IN*	Announced (May 2003) upgrades planned to expand product capabilities of the former Qualitech special quality bar mill (idled since February 2001) to also include merchant bars, rebar, and light structural sections.	75
2004[2]	Nucor *Jewett, TX*	Announced (April 2003) plans for new meltshop to reduce melt-cycle time include new single-charge AC EAF, twin-station ladle metallurgy furnace, and 4/5 strand billet caster.	

[1] Where no value is given, data were not reported in source.
[2] Anticipated.

Source: Selected entries from annual reports titled "Developments in the North American Iron and Steel Industry," 1998 through 1999, *Iron and Steel Engineer*; 2000 through 2002, *AISE Steel Technology*; Association of Iron and Steel Engineers, *Steel News*, found at *http://www.steelnews.org*, various issues; and *American Metal Market*, found at *http://www.amm.com*, various issues.

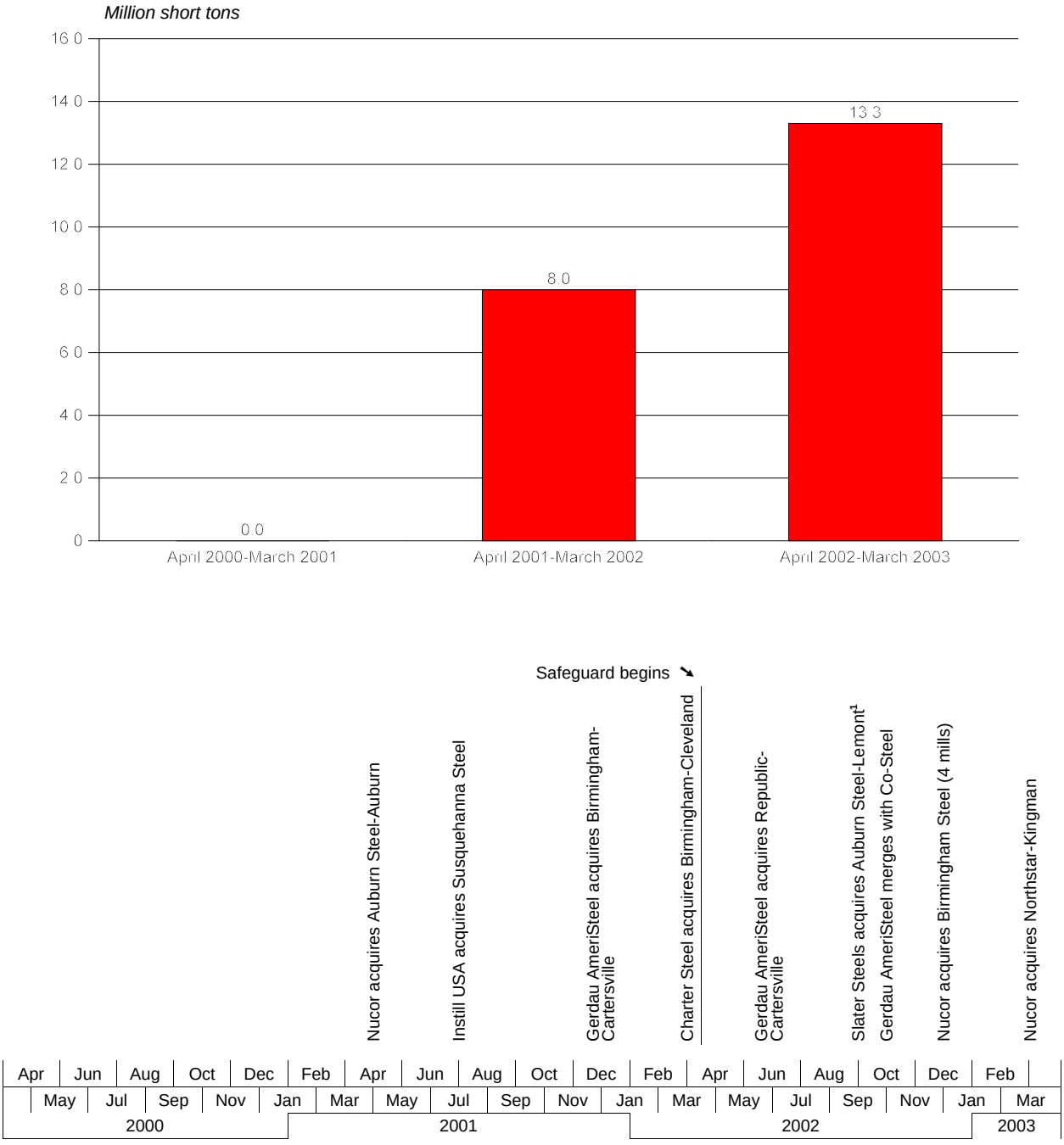
Figure LONG I-1
Long steel: Firms filing for bankruptcy protection and related raw steel capability, April 2000-March 2003



[1] Firm without raw steel capability.

Source: Table LONG I-3 and other publicly available information.

Figure LONG I-2
Long steel: Mergers and acquisitions and related raw steel capability, April 2000-March 2003[1]



[1] Additionally, in September 2002 Steel Dynamics acquires Qualitech.

Source: Table LONG I-4 and other publicly available information.

PART II: INDUSTRY AND MARKET DATA (HOT BAR)

DESCRIPTION AND USES

This category includes carbon and alloy hot-rolled bars and light shapes (hot bar). Bars are products that have a solid cross-section in the shape of circles, segments of circles, ovals, triangles, rectangles (including squares), or other convex polygons including flattened circles and modified rectangles of which two opposite sides are convex arcs and the other two sides are straight, of equal length, and parallel.[1] This category includes the following: bars of a diameter of 19 mm or more in irregularly wound coils; free-machining carbon steel and high-nickel alloy steel bars and rods of any diameter; angles, shapes, and sections (such as U, I, or H sections) not further worked than hot-rolled, hot-drawn, or extruded, of a height of less than 80 mm; and hollow drill bars and rods of which the greatest external dimension of the cross section exceeds 15 mm but does not exceed 52 mm, and of which the greatest internal dimension does not exceed one half of the greatest external dimension. This category excludes carbon and alloy steel (including free-machining alloy steel) wire rod having a diameter of 5 mm or more but less than 19 mm (which until March 1, 2003 were covered by a section 203 remedy on wire rod) and hollow bars and rods of iron or steel not conforming to this definition (which are included in the pipe and tubing product categories). HTS statistical reporting numbers for subject hot bar are presented in table LONG II-1.

MARKET ENVIRONMENT

Changes in U.S. Demand

Major markets for hot bar are in automotive and construction applications. Hot bars are used in the production of parts of bridges, buildings, ships, agricultural implements, motor vehicles, road building equipment, railway equipment, and general types of machinery. As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of transportation equipment increased slightly, by 0.7 percent, between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003. The value of U.S. manufacturers' shipments of carbon steel forgings decreased by 1.9 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of hot bar decreased by 9.4 percent from April 2000-March 2001 to April 2001-March 2002, then increased by 2.8 percent in April 2002-March 2003.

In contrast to the increase shown in the data, thirteen of 19 responding U.S. hot bar producers and 33 of 47 responding hot bar importers reported that U.S. demand for steel has decreased since March 20, 2002. U.S. hot bar producers generally tied decreased demand to the slowing U.S. economy, particularly weakness in the vehicle parts, appliance, construction, and machinery market sectors, while

[1] Hot-finished bars of ball-bearing steel (HTS items 7227.90.1030, 7227.90.2030, 7228.30.2000, and 7228.60.1030), which were included in this category in investigation No. TA-201-73, were excluded from the remedy and, therefore are, not included in the hot-rolled bar and light shapes category for purposes of this investigation.

Table LONG II-1
Hot bar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Hot bar[1]	7213.20.0000	7214.99.0030	7216.21.0000	7227.20.0090	7228.40.0000
	7213.99.0060	7214.99.0045	7216.22.0000	7227.20.0095	7228.60.6000
	7213.99.0090	7214.99.0060	7216.50.0000	7227.90.6005	7228.70.3020
	7214.10.0000	7214.99.0075	7216.61.0000	7227.90.6051	7228.70.3040
	7214.30.0000	7214.99.0090	7216.69.0000	7227.90.6058	7228.70.3060
	7214.91.0015	7215.90.1000	7216.91.0000	7227.90.6059	7228.70.3080
	7214.91.0060	7215.90.5000	7216.99.0000	7228.20.1000	7228.70.6000
	7214.91.0090	7216.10.0010	7227.20.0000	7228.30.8005	7228.80.0000
	7214.99.0015	7216.10.0050	7227.20.0010	7228.30.8050	

[1] The temporary HTS subheadings for hot bar established by proclamation or delegated authority pursuant to trade legislation are:

(1) 9903.73.42 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.43 through 9903.73.46, 9903.76.52 through 9903.76.54, 9903.76.56 through 9903.76.66, 9903.76.69 through 9903.76.74, 9903.76.76 through 9903.76.78, 9903.76.80 through 9903.76.85, 9903.80.40 through 9903.80.63, 9903.80.71, 9903.80.73 through 9903.80.81, 9903.80.83, and 9903.80.84 for other products excluded from the section 203 remedy,

(2) 9903.76.51, 9903.76.55, 9903.76.67, 9903.76.68, 9903.76.75, 9903.76.79, 9903.80.64 through 9903.80.70, 9903.80.72, and 9903.80.82 for products entered in quantities up to stated limits (ranging from 5 tons to 30,000 tons) without additional tariffs, and

(3) 9903.73.50, 9903.73.51, and 9903.73.52 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of hot bar which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of hot bar exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

hot bar importers cited the slowing U.S. economy and the loss of downstream manufacturing facilities to other countries, including in the aerospace, power generation, capital goods, automotive, construction, vehicle parts, and appliance sectors.[2] [3]

Most U.S. hot bar producers and importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.[4]

Changes in U.S. Supply

Prior to the imposition of section 203 tariff relief, several U.S. hot bar producers filed for bankruptcy and shut down their operations. Qualitech Steel, a producer of special quality hot-rolled round bars with raw steel capacity of 0.6 million short tons, filed for bankruptcy in March 1999 and shut down its operations in January 2001. J&L Structural, a producer of bar-size structural sections with no raw steel capacity, filed for bankruptcy in June 2000 and shut down its operations in August 2002. Northwestern Steel & Wire, a producer of structural steel, hot-rolled merchant bar, wire rod, and wire with raw steel capacity of 2.4 million short tons, filed for bankruptcy in December 2000 and shut down its operations in May 2001. CSC, a producer of carbon and alloy steel hot-rolled and cold-finished bar with raw steel capacity of 0.5 million short tons, filed for bankruptcy in January 2001 and shut down its operations in April 2001. GS Industries, a producer of carbon and alloy steel rod, wire, hot-rolled bars, and grinding media with raw steel capacity of 2.0 million short tons, filed for bankruptcy and closed its Kansas City, MO plant in February 2001. Laclede Steel, a producer of carbon and alloy steel hot-rolled bar, pipe, and welded chain with raw steel capacity of 0.6 million short tons, which had emerged from an earlier bankruptcy in January 2001, filed for bankruptcy again in July 2001 and shut down its operations in August 2001. Calumet Steel, a producer of hot-rolled alloy steel bar and carbon steel light structural sections with raw steel capacity of 0.2 million short tons, filed for bankruptcy and shut down its operations in March 2002.[5]

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[2] Several representatives of domestic producers testified as to demand and expected demand. One domestic producer testified that he anticipated a stronger economy, particularly in terms of construction and industrial activity. He maintained that total demand for long products continues to decline. Testimony of Robert Mulhan, Vice-President, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at pp. 113-114. A second domestic producer testified that demand for long products has not increased. He maintained that demand in both the commercial and industrial construction sectors has been off, although CMC anticipates that it will pick up. Testimony of Clyde Selig, Steel Group President and CEO, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at p. 18. A third domestic producer testified that Timken has had to slow its steel associated capital expenditures because of the economy, particularly the manufacturing sector. Testimony of Michael Haidet, Senior Government Affairs Specialist, Timken, transcript of Commission hearing (July 24, 2003) at p. 119.

[3] A respondent importer testified that, during the year following the 203 tariff relief, demand for hot- and cold-rolled bar was pretty strong until quite recently, and was driven primarily by the automotive industry. He noted that production in the automotive industry has risen over the past several years from 15 million units a year to 18 million units a year. He acknowledged that automotive demand seems to be slowing down, and anticipates that bar business will slow down in the second half of this year. Jeff Hoye, President, Corus America, transcript of Commission hearing (July 24, 2003) at pp. 214, 237-238. However, an auto parts producer testified that automotive SBQ steel capacity has decreased nearly 30 percent since January 2000 while auto production has stayed at the same level. Testimony of Doug Grimm, General Manager of Forging Operations, Metaldyne, transcript of the Commission hearing (July 24) at 281.

[4] Eighteen of 19 responding U.S. hot bar producers reported that there have been no changes in the types or prices of substitute products since March 20, 2002. Thirty-seven of 40 responding hot bar importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

[5] *See* table LONG I-3.

Following imposition of the section 203 relief, three of these firms were acquired by other steel producing firms and are expected to restart their operations. Qualitech's assets were purchased by Steel Dynamics in September 2002, with an expected restart in the first quarter of 2004 as a producer of special quality bars, rebar, and light sections. Laclede's Alton, IL assets were acquired by Alton Steel in January 2003 and operations are to be restarted at an unspecified date. Calumet's assets were acquired by MZG Associates II in November 2002. Also, in September 2002, Slater Steel purchased Auburn Steel's Lemont, IL minimill (shuttered since February 2001), and re-commissioned the mill in December 2002 to ramp up production of merchant and special quality bars and rebar. Finally, Kentucky Electric Steel, a producer of carbon and alloy steel hot-rolled flat and square bars, shut down its operations in January 2003 and filed for bankruptcy in February 2003; its assets, however, were acquired in August 2003 by KES Acquisition Co.[6] [7]

As shown in the table LONG II-2, with the exception of efforts to increase product availability and decreasing order backlogs, the majority of hot bar producers reported no changes in their marketing practices since March 20, 2002.

Fifty-four of 162 responding hot bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Sixty-one of 157 responding hot bar purchasers reported increased average lead times for their purchases of domestic steel, 84 reported no change in domestic lead times, and 12 reported decreased domestic lead times. Hot bar purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[8] Of 164 responding purchasers, 103 did not indicate that producers had taken any such actions. However, 15 of 164 responding purchasers reported that domestic producers had introduced new or innovative products, 16 reported that domestic producers had improved product quality, 24 reported that domestic producers had expanded marketing efforts, 20 reported that domestic producers had improved customer service, and 26 reported that domestic producers had made other positive adjustment efforts.[9]

Based on data compiled in this investigation, U.S. hot bar producers' capacity utilization was 72.3 percent during April 2002-March 2003 and their inventories as a percentage of total shipments were 10.4 percent. Exports accounted for 3.8 percent of total shipments.

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[6] Counsel for the Long Producers Coalition maintained that there has been substantial capacity rationalization in the U.S. long products industry. Republic Technologies removed over one million tons of hot bar capacity. Under Nucor's ownership, Birmingham's Fuller Memphis facility and Joliet rolling mill closed. Kentucky Electric and Calumet are closed. Testimony of Alan Price, attorney, Wiley Rein & Fielding, transcript of Commission hearing (July 24, 2003) at 41.

[7] Some respondent importers argued that the U.S. hot and cold bar producers suffer from chronic overcapacity. For example, one respondent importer maintained that U.S. hot and cold bar producers' aggregate capacity is far higher than U.S. total consumption. He claimed that U.S. hot and cold bar producers' aggregate capacity is higher today than it was when the President ordered 203 relief. He argued that the constant pressure of low prices offered by uneconomic U.S. producers keeps prices from rising and deprives well-run companies of the benefit that they should be getting from their adjustment efforts. Testimony of Jeff Hoye, President, Corus America, transcript of Commission hearing (July 24, 2003) at pp. 215-217.

[8] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[9] Some purchasers reported more than one of these actions.

Table LONG II-2
Hot bar: U.S. producer responses to questions regarding firms' activities and market conditions since March 20, 2002

Marketing practice/market conditions	Number of producers reporting	
	No	Yes
Efforts to increase product availability	7	14
Change in geographic market	17	4
Change in channels of distribution	17	4
Change in share of sales from inventory	18	3
Change in average lead times from inventory	16	0
Change in average lead times from production	12	5
Change in product range	15	6
Change in demand for or production of alternate products	18	3

	Increased	Decreased	Stayed same
Change in order backlogs	5	10	5
Change in on-time shipping percentage	6	1	14

Source: Compiled from data submitted in response to Commission questionnaires.

Changes in Import Supply

Total imports of hot bar fell by 4.1 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of hot bar from covered countries fell by 32.2 percent; and imports of hot bar from noncovered countries increased by 11.3 percent. The U.S. market share accounted for by imports of hot bar from covered countries fell from 7.2 percent in April 2001-March 2002 to 4.8 percent in April 2002-March 2003. The U.S. market share accounted for by imports of hot bar from noncovered countries increased from 13.1 percent in April 2001-March 2002 to 14.2 percent in April 2002-March 2003.[10]

As shown in table LONG II-3, the majority of hot bar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table LONG II-4.

[10] *See* tables LONG II-7 and LONG II-10.

Table LONG II-3
Hot bar: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	34	22
Change in geographic market	54	2
Change in channels of distribution	48	3
Change in share of sales from inventory	47	4
Change in average lead times from inventory	33	1
Change in average lead times from production	37	10
Change in product range	48	9
Change in demand for or production of alternate products	44	7
Importing of steel from foreign producers from which previously have not imported	38	15

	Increased	Decreased	Stayed same
Change in order backlogs	4	24	26
Change in on-time shipping percentage	6	11	40

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-4
Hot bar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

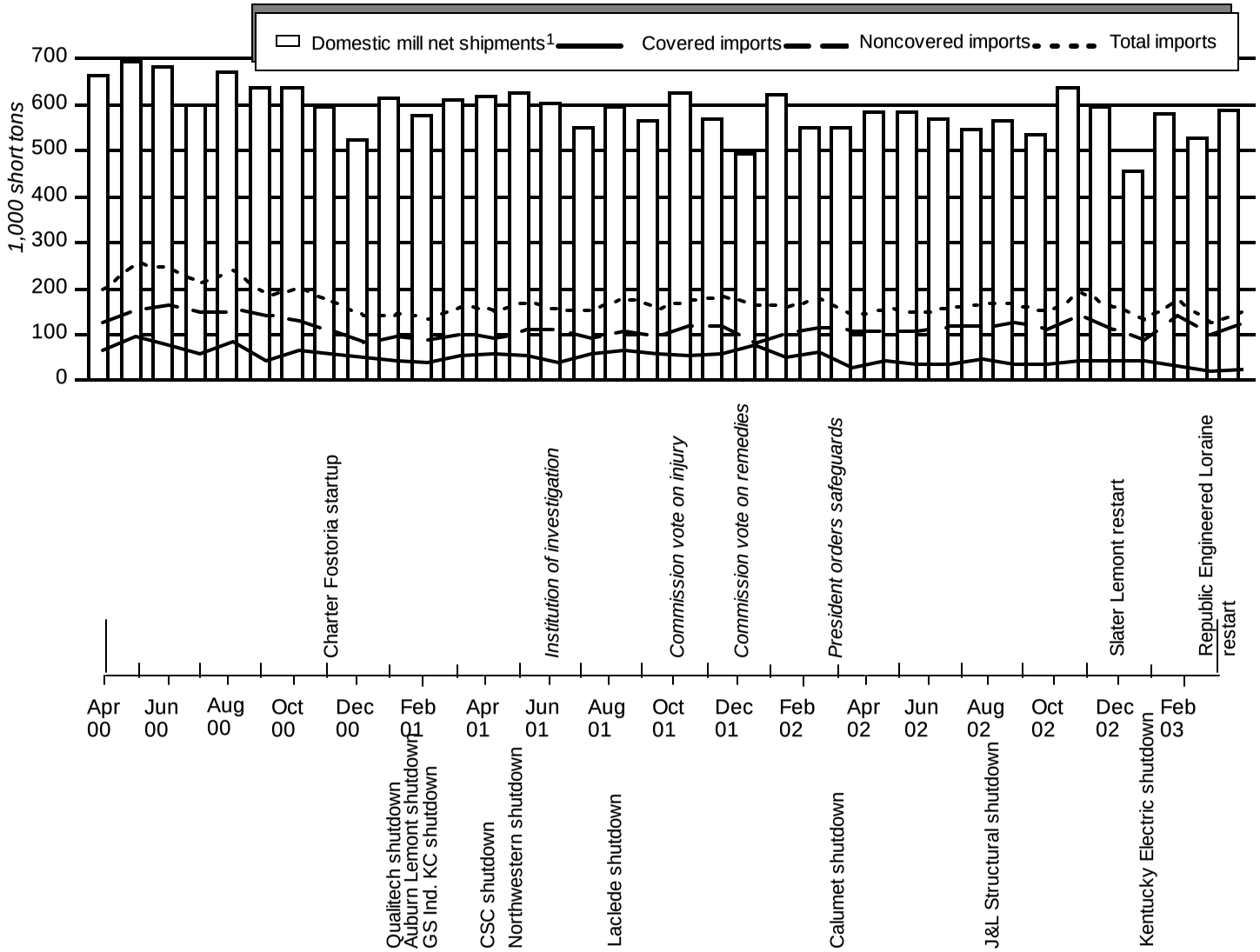
Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	7,414,106	85.3	3.5	3.2
Noncovered	3,429,366	65.8	32.5	14.8

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure LONG-II-1 shows monthly shipments of hot-rolled bar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the line) and start ups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates.

Figure LONG II-1
Hot-rolled bar: Monthly imports and monthly domestic mill net shipments, facility shutdowns and startups or restarts, and investigation milestones, April 2000-March 2003



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

U.S. INDUSTRY DATA

Table LONG II-5 presents information on U.S. hot bar producers' capacity, production, shipments, inventories, and employment. The responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following firms reported the indicated calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation: ***.

As presented in Table LONG II-5, reporting U.S. producers' aggregate output-related indicators rose modestly in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity increased by 3.4 percent, production increased by 4.4 percent, and U.S. shipments increased by 4.6 percent.[11] Each of these indicators was, however, lower than in the period from April 2000 to March 2001.[12] Capacity utilization increased modestly from 71.6 percent to 72.3 percent in the period April 2002 to March 2003, but was below the 77.0 percent level of the period from April 2000 to March 2001. The number of production and related workers employed declined by 2.2 percent in the period April 2002 to March 2003, and was 9.6 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by *** percent; productivity gains, combined with a relatively stable hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

FINANCIAL DATA

Financial data provided by U.S. producers concerning hot bar are presented in table LONG II-6.[13] Only one firm reported the receipt of CDSOA (Byrd Amendment) funds during the period examined. These CDSOA funds are classified as "other income" in the following table.

The majority of firms that provided usable financial data for long products reported pension expense and/or other post-employment benefits during the period examined, with 13 firms reporting such expenses for hot-bar. All pension expense and other post-employment benefits are classified as COGS and/or SG&A expenses in table LONG II-6.

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[11] The value of the domestic industry's U.S. shipments increased by 6.4 percent, reflecting an increase in the average unit value of such shipments. Both the value and the average unit value of such shipments were lower than in the period April 2000 to March 2001.

[12] As noted in Table LONG I-3, a number of hot bar mills closed over the period examined. The closure of mills such as J&L Structural, Qualitech, Northwestern, CSC, Laclede Steel, Calumet Steel, and Kentucky Electric Steel, and their corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, capacity, or production, or understate a trend of declining shipments, capacity, or production over the period examined.

[13] Three firms, ***, did not provide usable financial data.

Table LONG II-5
Hot bar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	11,332,255	11,132,284	11,512,310
Production	8,729,681	7,967,962	8,322,046
Internal consumption/transfers	1,050,627	943,225	1,035,908
U.S. commercial shipments	7,426,906	6,839,699	7,101,506
U.S. shipments	8,477,533	7,782,923	8,137,414
Export shipments	329,826	295,345	324,392
Total shipments	8,807,360	8,078,268	8,461,806
Ending inventories	1,140,231	1,023,422	881,743
		Value *($1,000)*	
Internal consumption/transfers	412,051	346,251	392,191
U.S. commercial shipments	3,026,108	2,632,280	2,778,426
U.S. shipments	3,438,159	2,978,530	3,170,617
Export shipments	128,014	115,160	132,697
Total shipments	3,566,172	3,093,690	3,303,314
		Unit value *(per short ton)*	
Internal consumption/transfers	392	367	379
U.S. commercial shipments	407	385	391
U.S. shipments	406	383	390
Export shipments	388	390	409
Total shipments	405	383	390
		Ratios and shares *(percent)*	
Capacity utilization	77.0	71.6	72.3
U.S. shipments to distributors	32.2	32.6	32.3
U.S. shipments to end users	67.8	67.4	67.7
Inventories/total shipments	12.9	12.7	10.4
		Employment data[1]	
PRWs[2] *(number)*	8,701	8,037	7,862
Hours worked *(1,000)*	17,833	15,803	15,662
Wages paid *($1,000)*	463,527	410,299	410,851
Hourly wages	$25.99	$25.96	$26.23
Productivity *(short tons/1,000 hours)*	***	***	***
Unit labor costs *(per short ton)*	$***	$***	$***

[1] *** did not provide employment data. Productivity and unit labor costs are calculated using data of firms providing both numerator and denominator information.
[2] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-6
Hot bar: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity (*short tons*)	
Net commercial sales	6,884,052	6,203,548	6,553,814
		Value *($1,000)*	
Net commercial sales	2,814,098	2,381,838	2,562,683
COGS	2,525,138	2,195,090	2,335,869
Gross profit or (loss)	288,961	186,749	226,814
SG&A expenses	166,357	147,681	149,302
Operating income or (loss)	122,604	39,068	77,512
Interest expense	99,733	66,052	38,982
Other (income)/expenses, net	50,167	(1,119)	6,046
Net income or (loss)	(27,297)	(25,865)	32,484
Depreciation/amortization	155,308	142,603	146,729
Cash flow	128,011	116,738	179,213
CDSOA funds received	0	54	0
Pension (credit)/expense	16,776	15,209	16,345
Other post-employment benefits	9,157	7,832	10,090
Capital expenditures	82,700	55,005	97,337
R&D expenses	3,558	3,261	3,366
		Ratio to net commercial sales (*percent*)	
COGS	89.7	92.2	91.1
Gross profit or (loss)	10.3	7.8	8.9
SG&A expenses	5.9	6.2	5.8
Operating income or (loss)	4.4	1.6	3.0
Net income or (loss)	(1.0)	(1.1)	1.3
		Unit value (*per short ton*)	
Net commercial sales	$409	$384	$391
COGS total	367	354	356
Raw materials	134	122	144
Direct labor	57	56	52
Other factory costs	175	175	161
Gross profit or (loss)	42	30	35
SG&A expenses	24	24	23
Operating income or (loss)	18	6	12
		Number of firms reporting	
Operating losses	8	8	7
Data	17	17	17

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

As presented in Table LONG II-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following steep declines in the previous 12-month period, but did not return to the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased from $384 to $391, but were still below the $409 average unit value for the period from April 2000 to March 2001.

COGS increased less on a unit basis than did average unit values. In the period April 2002 to March 2003, unit raw materials costs increased sharply, but unit labor and other factory costs declined.[14] Because unit revenues increased at a greater rate than unit costs, and net sales increased, the industry's financial performance improved in the period April 2002 to March 2003. Its operating margin increased from 1.6 percent to 3.0 percent. The latter margin, however, was below the industry's 4.4 percent operating margin in the period from April 2000 to March 2001.

U.S. IMPORTS

Table LONG II-7 presents data on U.S. imports of hot bar by sources for the period April 2000-March 2003.[15] Table LONG II-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table LONG II-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table LONG II-7, in the period April 2002 to March 2003, total imports, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 1,989,880 short tons to 1,907,404 short tons. Imports from countries covered by the safeguard measure declined from 708,271 short tons to 480,517 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 1,281,609 short tons to 1,426,887 short tons.[16]

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[14] Per-unit raw material costs for hot-bar declined 9.0 percent in the period April 2001 to March 2002 as compared to the prior period, then increased 18.0 percent in the period April 2002 to March 2003. The principal raw material used in the production of hot bar is steel scrap. The average steel scrap price was $85.75 per ton during the April 2000-March 2001 period but decreased to $69.09 per ton during April 2001-March 2002 and increased to $96.07 per ton during the period from April 2002 to March 2003. Source: American Metal Market (AMM) average price of #1 Heavy Melting Steel for each period at Chicago, Philadelphia, and Pittsburgh (also referred to as the AMM Composite Price).

[15] Noncovered sources accounting for 3 percent or more during April 2002-March 2003 are presented in table LONG II-4. At the hearing, the domestic long products industry stated that the President should "revoke developing country exclusions for Argentina and Turkey, whose exports have surged above the program's threshold, a three percent share of total imports." Testimony of Joseph Alvarado, Vice President, Commercial, Ispat North America, transcript of Commission hearing (July 24, 2003) at p. 84.

[16] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 5.9 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 7.4 percent. The average unit values of all imports increased by 2.9 percent in the first 12 months of the section 203 safeguard measure, and was 0.6 percent higher than in the period April 2000 to March 2001.

Table LONG II-7
Hot bar: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
		Quantity *(short tons)*		***Percent***
Covered sources	777,921	708,271	480,517	-32.2
Noncovered sources:[1]				
Argentina	47,705	12,167	61,314	403.9
Canada	1,079,996	947,508	984,960	4.0
Mexico	143,516	172,596	197,467	14.4
Turkey	137,307	57,226	66,198	15.7
Subtotal	1,408,524	1,189,497	1,309,939	10.1
All others	119,230	92,112	116,948	27.0
Subtotal (noncovered)	1,527,754	1,281,609	1,426,887	11.3
Total (all imports)	2,305,675	1,989,880	1,907,404	-4.1
		Landed, duty paid value *($1,000)*		
Covered sources	406,022	370,519	266,106	-28.2
Noncovered sources:[1]				
Argentina	18,020	4,261	19,178	350.1
Canada	435,002	363,865	414,658	14.0
Mexico	51,880	55,354	68,704	24.1
Turkey	40,556	15,910	22,244	39.8
Subtotal	545,458	439,390	524,784	19.4
All others	51,429	36,559	44,135	20.7
Subtotal (noncovered)	596,887	475,949	568,919	19.5
Total (all imports)	1,002,909	846,468	835,025	-1.4
		Unit value *(per short ton)*		
Covered sources	$522	$523	$554	5.9
Noncovered sources:[1]				
Argentina	378	350	313	-10.7
Canada	403	384	421	9.6
Mexico	361	321	348	8.5
Turkey	295	278	336	20.9
Average	387	369	401	8.5
All others	431	397	377	-4.9
Average (noncovered)	391	371	399	7.4
Average (all imports)	435	425	438	2.9
		Share of total imports based on quantity *(percent)*		***Percentage point***
Covered sources	33.7	35.6	25.2	-10.4
Noncovered sources:[1]				
Argentina	2.1	0.6	3.2	2.6
Canada	46.8	47.6	51.6	4.0
Mexico	6.2	8.7	10.4	1.7
Turkey	6.0	2.9	3.5	0.6
Subtotal	61.1	59.8	68.7	8.9
All others	5.2	4.6	6.1	1.5
Subtotal (noncovered)	66.3	64.4	74.8	10.4
Total (all imports)	100.0	100.0	100.0	0.0
		Ratio of imports to production *(percent)*		
Covered sources	8.9	8.9	5.8	-3.1
Noncovered sources[1]	17.5	16.1	17.1	1.1
Total	26.4	25.0	22.9	-2.1

[1] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table LONG II-8
Hot bar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table LONG II-9
Hot bar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	388,928	382,394	549,586
End-of-period inventories	44,690	37,480	36,190
Noncovered sources:			
U.S. shipments of imports	578,902	515,078	690,506
End-of-period inventories	53,379	63,588	89,457
Total:			
U.S. shipments of imports	967,830	897,472	1,240,092
End-of-period inventories	98,069	101,068	125,647
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	11.5	9.8	6.6
Noncovered sources	9.2	12.3	13.0
Average	10.1	11.3	10.1

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of hot bar are presented in table LONG II-10 and figure LONG II-2. As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for hot bar either rose very modestly or declined, and most of the responding U.S. hot bar producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table LONG II-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of hot bar increased by 2.8 percent in the period April 2002 to March 2003, in contrast to the view of the producers and importers, but at the conclusion of this period was 6.8 percent below the level of the period from April 2000 to March 2001.[17]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 79.6 percent to 81.0 percent. Imports from covered countries saw their market share decrease from 7.2 percent to 4.8 percent, while imports from noncovered countries saw their market share increase from 13.1 percent to 14.2 percent.

[17] As noted in Table LONG I-3, a number of hot bar mills closed over the period examined. The closure of mills such as J&L Structural, Qualitech, Northwestern, CSC, Laclede Steel, Calumet Steel, and Kentucky Electric Steel, and their corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, or understate a trend of declining shipments, over the period examined.

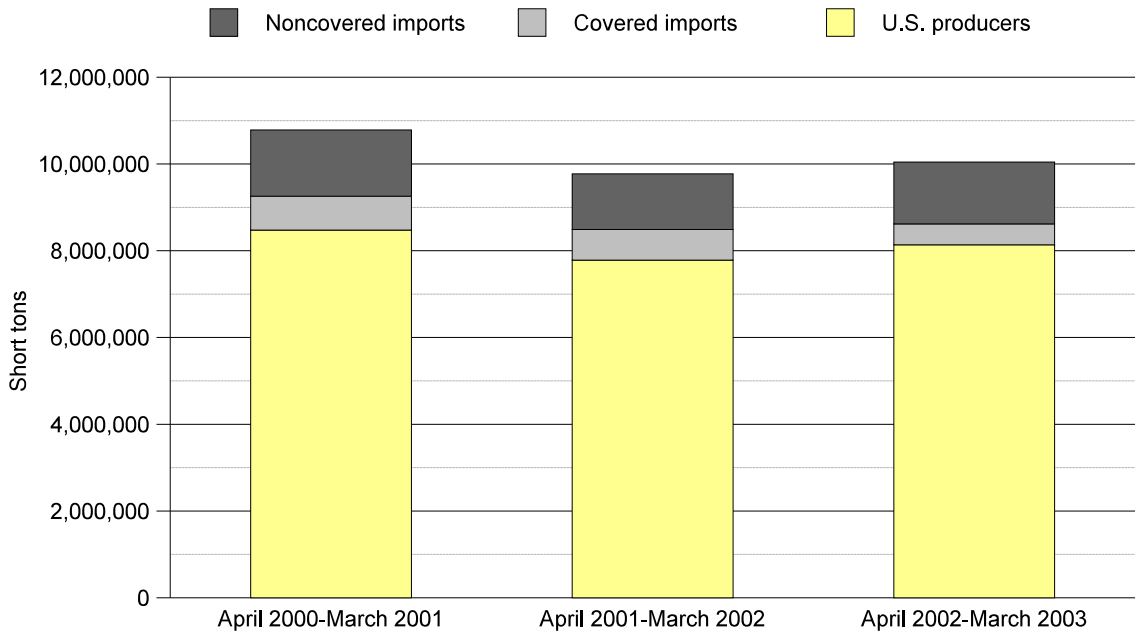
Table LONG II-10
Hot bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	8,477,533	7,782,923	8,137,414
U.S. imports from:			
Covered sources	777,921	708,271	480,517
Noncovered sources	1,527,754	1,281,609	1,426,887
Total U.S. imports	2,305,675	1,989,880	1,907,404
Apparent U.S. consumption	10,783,208	9,772,803	10,044,818
		Value *($1,000)*	
U.S. producers' U.S. shipments	3,438,159	2,978,530	3,170,617
U.S. imports from:			
Covered sources	406,022	370,519	266,106
Noncovered sources	596,887	475,949	568,919
Total U.S. imports	1,002,909	846,468	835,025
Apparent U.S. consumption	4,441,068	3,824,998	4,005,642
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	78.6	79.6	81.0
U.S. imports from:			
Covered sources	7.2	7.2	4.8
Noncovered sources	14.2	13.1	14.2
Total U.S. imports	21.4	20.4	19.0
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	77.4	77.9	79.2
U.S. imports from:			
Covered sources	9.1	9.7	6.6
Noncovered sources	13.4	12.4	14.2
Total U.S. imports	22.6	22.1	20.8

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Figure LONG II-2
Hot bar: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table LONG II-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. hot bar producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG II-11 and LONG II-12). U.S. hot bar purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG II-13).

The three factors rated most important by U.S. hot bar producers were: changes in the cost of raw materials; changes in competition between U.S. producers; and changes in the level of competition from imports from non-excluded countries. The three factors rated most important by hot bar importers were: changes in U.S. production capacity; changes in demand for steel; and changes in competition between U.S. producers. The three factors rated most important by hot bar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in competition between U.S. producers.[18]

[18] Available information concerning U.S. demand for hot bar products is mixed. Most U.S. producers and importers reported that U.S. demand for hot bar products decreased since March 20, 2002. However, data show that apparent U.S. consumption of hot bar products increased by 2.8 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG II-10). The industrial production index showed little change since April 2002, whereas the durable goods production index increased by 3.2 percent during the same time frame (figure OVERVIEW II-2). As previously mentioned manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003, while non-residential construction put in place decreased by 4.8 percent, and manufacturers' shipments of carbon steel forgings fell by 1.9 percent during the same time frame (table OVERVIEW II-1).

Unit raw materials costs for hot bar products increased by 18.0 percent between April 2001-March 2002 and April 2002-March 2003. Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-11). Imports of hot bar products from covered sources decreased sharply, by 32.2 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG II-7). U.S. hot bar producer's capacity and capacity utilization showed little change between April 2001-March 2002 and April 2002-March 2003 (table LONG II-5).

Table LONG II-11
Hot bar: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.5	20	1	0
Changes in competition between U.S. producers	1.5	4	6	11
Changes in the level of competition from imports from non-excluded countries	1.8	7	6	8
Changes in the level of competition from imports from excluded countries	1.9	6	6	9
Changes in U.S. production capacity	1.9	2	10	9
Changes in energy costs	1.9	19	2	0
Changes in demand for steel within the United States	2.0	1	5	15
Changes in transportation/delivery cost changes	2.3	17	3	1
Changes in labor agreements, contracts, etc.	2.6	4	12	5
Changes in demand for steel outside the United States	2.6	9	9	2
Changes in the productivity of domestic producers	2.7	6	12	3
Changing market patterns	2.8	3	15	3
Changes in the allocation of production capacity to alternate products	3.3	0	20	1
Changes in the level of competition from substitute products	3.4	0	18	3

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-12
Hot bar: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in U.S. production capacity	1.6	26	17	11
Changes in demand for steel	1.7	9	16	28
Changes in competition between U.S. producers	1.7	27	18	11
Changes in the cost of raw materials	2.0	46	10	2
Changes in the level of competition by imports	2.1	16	23	18
Changes in energy costs	2.3	40	16	0
Changes in the productivity of domestic producers	2.5	7	36	11
Changes in labor agreements, contracts, etc.	2.5	16	31	7
Changes in transportation/delivery cost changes	2.6	28	24	1
Changing market patterns	2.6	8	36	9
Changes in the allocation of production capacity to alternate products	3.0	9	44	1
Changes in the level of competition from substitute products	3.1	5	44	8

[1] The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-13
Hot bar: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1] Ranking	Influence of factors[2] I	N	D
Changes in the cost of raw materials	1.7	95	50	6
Changes in demand for steel within the United States	1.8	26	56	68
Changes in competition between U.S. producers	1.9	56	70	26
Changes in U.S. production capacity	1.9	58	58	35
Changes in energy costs	2.1	109	45	0
Changes in the level of competition from imports from non-excluded countries	2.2	42	58	42
Changes in transportation/delivery cost changes	2.3	96	57	1
Changes in demand for steel outside the United States	2.3	51	67	13
Changing market patterns	2.4	33	84	25
Changes in the productivity of domestic producers	2.5	28	91	27
Changes in the level of competition from imports from excluded countries	2.6	32	96	19
Changes in labor agreements, contracts, etc.	2.7	22	101	14
Changes in the allocation of production capacity to alternate products	3.2	15	122	5
Changes in the level of competition from substitute products	3.3	6	135	7

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all purchasers answered for each factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. hot bar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Seventeen of 19 responding U.S. hot bar producers and 45 of 51 responding hot bar importers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. Eight of 16 U.S. hot bar producers and 22 of 34 hot bar importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following hot bar product during April 2000-March 2003:

> ***Product 7***–**Hot-rolled bars, grade ASTM A36 or equivalent in sizes 3 inches and under.** This commodity product is used extensively in manufacturing and construction. Typical uses include brackets, frames and supports for industrial equipment, and fabricated bar joists used in commercial construction.

Reported pricing data accounted for 61.9 percent of the quantity of U.S. producers' U.S. commercial shipments of hot bar, 8.5 percent of the quantity of total imports, and 16.8 percent and 4.7 percent, respectively, of the quantity of covered and noncovered imports of hot bar.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported hot bar product 7 are shown in table LONG II-14. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported hot bar product 7 are also shown in figure LONG II-3.[19] A summary of the price data is shown in table LONG II-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables LONG II-16 and LONG II-17, respectively.

Quarterly prices for the domestically produced hot bar product for which the Commission collected pricing data rose by 8.1 percent from the first quarter of 2002 to the first quarter of 2003, but the first quarter 2003 price was 5.1 percent below that of the second quarter of 2000. Prices increased from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources covered by the safeguard measure as well as sources not covered, rising by 12.7 percent and 5.2 percent, respectively. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure and from sources not covered oversold the domestically produced product in every quarterly comparison.

[19] Public price data for hot bar products are shown in figure H-6 of app. H.

Table LONG II-14
Hot bar: Weighted-average price and quantity data for U.S.-produced and imported product 7[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$384.50	1,287,963	$415.44	37,020	(8.0)	$345.28	16,830	10.2
July-September	375.82	1,175,211	439.73	37,779	(17.0)	353.80	15,815	5.9
October-December	367.98	1,039,254	431.75	35,301	(17.3)	341.95	15,314	7.1
2001:								
January-March	354.92	1,122,912	454.02	20,340	(27.9)	356.45	14,351	(0.4)
April-June	352.72	1,133,696	459.53	28,140	(30.3)	***	***	***
July-September	346.53	1,026,446	459.65	27,535	(32.6)	***	***	***
October-December	343.55	947,426	450.67	24,236	(31.2)	***	***	***
2002:								
January-March	337.33	1,087,081	444.97	20,119	(31.9)	***	***	***
April-June	342.11	1,166,560	526.79	23,945	(54.0)	***	***	***
July-September	352.76	1,105,884	501.07	26,768	(42.0)	***	***	***
October-December	360.65	995,155	507.05	24,997	(40.6)	371.50	24,349	(3.0)
2003:								
January-March	364.73	1,141,826	501.33	24,290	(37.5)	***	***	***

[1] Hot-rolled bars, grade ASTM A36 or equivalent in sizes 3 inches and under.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure LONG II-3
Hot bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 7, April 2000-March 2003

* * * * * * *

Table LONG II-15
Hot bar: Change in quarterly prices of U.S. product, imports from covered sources and imports from noncovered sources

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
7	-5.1	8.1	20.7	12.7	***	5.2

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-16
Hot bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
7	0	([1])	([1])	12	54.0	8.0

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG II-17
Hot bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
7	3	10.2	5.9	9	15.5	0.4

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: INDUSTRY AND MARKET DATA (COLD BAR)

DESCRIPTION AND USES

Carbon and alloy steel cold-finished bar (cold bar) are products defined by shape in the hot bar category, not in coils, that have been subjected to a cold-finishing operation such as cold rolling, cold drawing, grinding, or polishing.[1] HTS statistical reporting numbers for subject cold bar are presented in table LONG III-1.

Table LONG III-1
Cold bar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers				
Cold bar[1]	7215.10.0000	7215.50.0060	7215.90.3000	7228.50.5005	7228.60.8000
	7215.50.0015	7215.50.0090	7228.20.5000	7228.50.5050	

[1] The temporary HTS subheadings for rebar established by proclamation or delegated authority pursuant to trade legislation are:
(1) 9903.76.87 through 9903.76.93, 9903.76.95 through 9903.77.27, 9903.77.29, 9903.81.00 through 9903.81.03, 9903.81.05 through 9903.81.09, and 9903.81.13 for products excluded from the section 203 remedy,
(2) 9903.76.86, 9903.76.94, 9903.77.28, 9903.81.04, and 9903.81.10 through 9903.81.12 for products entered in quantities up to stated limits (ranging from 250 tons to 13,000 tons) without additional tariffs, and
(3) 9903.73.60, 9903.73.61, and 9903.73.62 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 30 percent *ad valorem* additional tariffs through March 19, 2003, 24 percent additional tariffs through March 19, 2004, and 18 percent additional tariffs through March 20, 2005.
As indicated in (2), certain temporary subheadings specify particular types of cold bar which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of cold bar exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

MARKET ENVIRONMENT

Changes in U.S. Demand

Major markets for cold bar products are in automotive and construction applications. As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of transportation equipment increased slightly, by 0.7 percent, between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003. The value of U.S. manufacturers' shipments of carbon steel forgings decreased by 1.9 percent between the first quarter of 2002 and the first quarter of 2003.

The data collected by the Commission (which do not include 100 percent of domestic production) indicate that apparent U.S. consumption of cold bar decreased by 14.8 percent from April 2000-March 2001 to April 2001-March 2002, then increased by 1.2 percent in April 2002-March 2003.

[1] Cold-finished bars of ball-bearing steel (HTS item 7228.50.1010), which were included in this category in investigation No. TA-201-73, were excluded from the remedy and are, therefore, not included in the cold-finished bar category for purposes of this investigation.

In contrast to what the data show, sixteen of 18 responding U.S. cold bar producers and 20 of 32 responding cold bar importers reported that U.S. demand for steel has decreased since March 20, 2002.[2] U.S. cold bar producers that reported decreased demand generally cited the slowing U.S. economy, particularly weakness in the construction, capital spending, and aerospace market sectors. U.S. cold bar producers also noted the loss of end product sales to off-shore competitors.[3] Cold bar importers that reported decreased demand generally cited the slowing U.S. economy and the loss of manufacturing facilities to other countries. Declining market sectors cited by cold bar importers include aerospace, power generation, capital goods, construction, and automotive.

Most responding U.S. cold bar producers and importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.[4]

Changes in U.S. Supply

Prior to the 201 tariff relief, CSC, a producer of carbon and alloy steel hot-rolled and cold-finished bar with raw steel capacity of 0.5 million short tons, filed for bankruptcy in January 2001 and shut down its operations in April 2001.[5] [6]

As shown in table LONG III-2, with the exceptions of efforts to increase product availability, changes in average lead times from production, and decreasing order backlogs, the majority of cold bar producers reported no changes in their marketing practices since March 20, 2002.

Forty-two of 115 responding cold bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Forty-eight of 110 responding cold bar purchasers reported increased average lead times for their purchases of domestic steel, 55 reported no change in domestic lead times, and seven reported decreased domestic lead times. Cold bar purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[7] Of 116 responding purchasers, 71 did not indicate that producers had taken any such actions. However, 13 of 116 responding purchasers reported that domestic producers had introduced new or innovative products, 10 reported that domestic producers had improved product quality, 19 of reported that domestic producers had expanded marketing efforts, 13 reported that

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[2] Ten cold bar importers reported that demand has remained the same, and two reported that demand has increased.

[3] A domestic producer testified that domestic demand for cold bar remains weak. He maintained that dumped imports of manufactured finished parts and assemblies from Asia are slowly wiping out the domestic cold bar producers' customer base. Testimony of Paul Darling, President and CEO, Corey Steel Co., transcript of Commission hearing (July 24, 2003) at p. 76.

[4] Fifteen of 16 responding U.S. cold bar producers and 38 of 41 responding cold bar importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

[5] *See* table LONG I-3.

[6] Counsel to the Long Products Coalition testified that Republic Technologies removed over 150,000 tons of cold-finished bar capacity. Testimony of Alan Price, counsel to the Long Products Coalition, transcript of Commission hearing (July 24, 2003) at 41.

[7] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

Table LONG III-2
Cold bar: U.S. producer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of producers reporting	
	No	Yes
Efforts to increase product availability	5	14
Change in geographic market	16	4
Change in channels of distribution	15	3
Change in share of sales from inventory	16	4
Change in average lead times from inventory	16	2
Change in average lead times from production	8	11
Change in product range	13	7
Change in demand for or production of alternate products	16	4

	Increased	Decreased	Stayed same
Change in order backlogs	6	10	4
Change in on-time shipping percentage	8	3	9

Source: Compiled from data submitted in response to Commission questionnaires.

domestic producers had improved customer service, and 16 reported that domestic producers had made other positive adjustment efforts.[8]

Based on data compiled in this investigation, U.S. cold bar producers' capacity utilization was 55.1 percent during April 2002-March 2003, and their inventories as a percentage of total shipments were 18.8 percent. Exports accounted for 1.6 percent of total shipments.

Changes in Import Supply

Total imports of cold bar fell by 21.3 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of cold bar from covered countries fell by 45.4 percent andimports of cold bar from noncovered countries increased by 30.3 percent. The U.S. market share accounted for by imports of cold bar from covered countries fell from 10.7 percent in April 2001-March 2002 to 5.8 percent in April 2002-March 2003. The U.S. market share accounted for by imports of cold bar from noncovered countries increased from 5.0 percent in April 2001-March 2002 to 6.4 percent in April 2002-March 2003.[9]

As shown in the table LONG III-3, the majority of cold bar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table LONG III-4.

[8] Some purchasers reported more than one of these actions.

[9] *See* tables LONG III-7 and LONG III-10.

Table LONG III-3
Cold bar: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	20	15
Change in geographic market	35	1
Change in channels of distribution	30	2
Change in share of sales from inventory	29	1
Change in average lead times from inventory	19	2
Change in average lead times from production	23	7
Change in product range	32	5
Change in demand for or production of alternate products	27	5
Importing of steel from foreign producers from which previously have not imported	23	12

	Increased	Decreased	Stayed same
Change in order backlogs	2	15	17
Change in on-time shipping percentage	4	6	26

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG III-4
Cold bar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	776,016	86.6	4.8	1.5
Noncovered[1]	***	***	***	***

[1] With respect to export shipments to the United States as a share of total shipments, responding noncovered foreign producers tended to be either developing countries with relatively high export shipments, or Canada or Mexico with a close proximity to the United States.

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure LONG-III-1 shows monthly shipments of cold-rolled bar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the line); shown above the line are significant safeguard dates.

U.S. INDUSTRY DATA

Table LONG III-5 presents information on U.S. cold bar producers' capacity, production, shipments, inventories, and employment. The responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following firms reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation: ***.

As presented in Table LONG III-5, reporting U.S. producers' aggregate output-related indicators rose in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity increased by 7.3 percent, production increased by 8.4 percent, and U.S. shipments increased by 5.4 percent.[10] While capacity was higher than in the period from April 2000 to March 2001, production and U.S. shipments were lower.[11] Capacity utilization increased slightly from 54.5 percent to 55.1 percent in the period April 2002 to March 2003. The latter level was considerably below the 67.2 percent capacity utilization for the period from April 2000 to March 2001. The number of production and related workers employed declined by 11.0 percent in the period April 2002 to March 2003, and was 20.7 percent lower than in the period from April 2000 to March 2001, as one major producer of cold bar, Republic, reduced capacity and employment to avoid even greater job loss and supply disruption.[12] Productivity, however, increased by *** percent; productivity gains, combined with more moderate increases in the hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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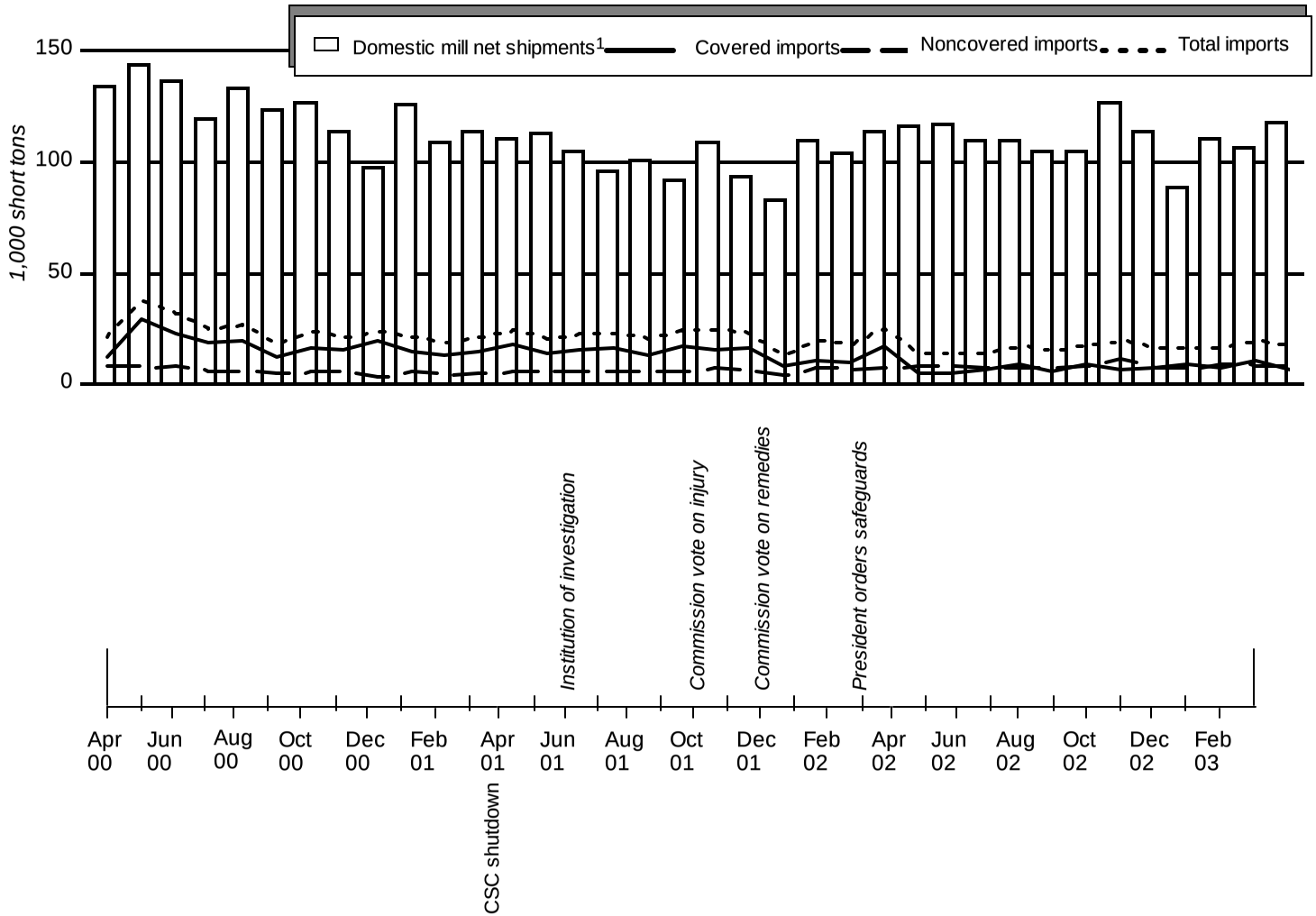
[10] The value of the domestic industry's U.S. shipments increased by 6.2 percent, reflecting an increase in the average unit value of such shipments. Both the value and the average unit value of such shipments were lower than in the period April 2000 to March 2001.

[11] As noted in Table LONG I-3, CSC shut down during the period examined. The closure of a mill such as CSC, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments (or other volume related measures), or understate a trend of declining shipments (or other volume related measures), over the period examined.

[12] "Following the President's proclamation, our company bought selected assets of Republic Technologies in August 2002, eliminating over one million tons of capacity, but saving 2,400 jobs and assuring that there would be sufficient supply of high quality, price competitive SBQ steel in the United States." Testimony of Ted Thielens, Vice President of Marketing, Republic Engineered Products, transcript of Commission hearing (July 24, 2003) at 51.

Figure LONG III-1
Cold-finished bar: Monthly imports and monthly domestic mill net shipments, facility shutdowns, and investigation milestones, April 2000-March 2003



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

Table LONG III-5
Cold bar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	2,542,755	2,546,230	2,731,288
Production	1,707,553	1,388,878	1,505,558
Internal consumption/transfers	13,131	10,895	13,524
U.S. commercial shipments	1,678,088	1,417,615	1,492,523
U.S. shipments	1,691,219	1,428,510	1,506,047
Export shipments	19,907	15,313	16,781
Total shipments	1,711,125	1,443,823	1,522,829
Ending inventories	332,232	274,705	286,962
		Value *($1,000)*	
Internal consumption/transfers	9,362	7,546	9,150
U.S. commercial shipments	1,183,661	970,885	1,030,385
U.S. shipments	1,193,022	978,430	1,039,535
Export shipments	14,200	10,444	11,271
Total shipments	1,207,222	988,874	1,050,806
		Unit value *(per short ton)*	
Internal consumption/transfers	713	693	677
U.S. commercial shipments	705	685	690
U.S. shipments	705	685	690
Export shipments	713	682	672
Total shipments	706	685	690
		Ratios and shares *(percent)*	
Capacity utilization	67.2	54.5	55.1
U.S. shipments to distributors	38.1	38.0	36.9
U.S. shipments to end users	61.9	62.0	63.1
Inventories/total shipments	19.4	19.0	18.8
		Employment data[1]	
PRWs[2] *(number)*	2,373	2,114	1,882
Hours worked *(1,000)*	5,221	4,430	4,090
Wages paid *($1,000)*	84,038	70,994	68,802
Hourly wages	$16.10	$16.02	$16.82
Productivity *(short tons/1,000 hours)*	***	***	***
Unit labor costs *(per short ton)*	$***	$***	$***

[1] ***. Productivity and unit labor costs are calculated using data of firms providing both numerator and denominator information.
[2] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL DATA

Financial data provided by U.S. producers concerning cold bar are presented in table LONG III-6.[13] No firms reported the receipt of CDSOA (Byrd Amendment) funds during the period examined.

The majority of firms that provided usable financial data for long products reported pension expense and/or other post-employment benefits during the period examined, with six firms reporting such expenses for cold bar. All pension expense and other post-employment benefits are classified as COGS and/or SG&A expenses in the following table.

As presented in Table LONG III-6, reporting U.S. producers' net commercial sales decreased modestly on both a quantity and a value basis in the period April 2002 to March 2003, following steep declines in the previous 12-month period. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales increased only modestly, from $646 to $649 . These values were well below the $670 average unit value for the period from April 2000 to March 2001.

Unit COGS declined in the period April 2002 to March 2003, notwithstanding an increase in unit raw materials costs, but unit labor and other factory costs declined.[14] Because unit revenues increased while unit COGS declined, the cold bar industry's financial performance improved in the period April 2002 to March 2003. Its operating margins increased from negative 0.4 percent to positive 1.5 percent. The latter figure was still below the 2.5 percent operating margin the industry recorded in the period from April 2000 to March 2001.

[13] Nine firms, ***, did not provide usable financial data.

[14] Per-unit raw material costs for cold bar declined 1.6 percent in the period April 2001 to March 2002 as compared to the prior period, then increased 3.1 percent in the period April 2002 to March 2003. The principal raw material used in the production of cold bar is steel scrap. The average steel scrap price was $85.75 per ton during the April 2000-March 2001 period but decreased to $69.09 per ton during April 2001-March 2002 and increased to $96.07 per ton during the period from April 2002 to March 2003. Source: American Metal Market (AMM) average price of #1 Heavy Melting Steel for each period at Chicago, Philadelphia, and Pittsburgh (also referred to as the AMM Composite Price).

Table LONG III-6
Cold bar: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity (*short tons*)	
Net commercial sales	929,831	746,519	737,133
		Value *($1,000)*	
Net commercial sales	623,405	482,049	478,072
COGS	565,860	449,121	438,050
Gross profit or (loss)	57,545	32,928	40,023
SG&A expenses	42,037	34,807	32,878
Operating income or (loss)	15,508	(1,878)	7,145
Interest expense	27,735	14,112	8,042
Other (income)/expenses, net	23,177	4,828	2,364
Net income or (loss)	(35,404)	(20,819)	(3,261)
Depreciation/amortization	16,510	13,206	10,570
Cash flow	(18,895)	(7,613)	7,309
CDSOA funds received	0	0	0
Pension (credit)/expense	4,541	3,906	3,171
Other post-employment benefits	397	219	357
Capital expenditures	13,771	24,033	10,091
R&D expenses	270	254	228
		Ratio to net commercial sales (*percent*)	
COGS	90.8	93.2	91.6
Gross profit or (loss)	9.2	6.8	8.4
SG&A expenses	6.7	7.2	6.9
Operating income or (loss)	2.5	(0.4)	1.5
Net income or (loss)	(5.7)	(4.3)	(0.7)
		Unit value (*per short ton*)	
Net commercial sales	$670	$646	$649
COGS total	609	602	594
Raw materials	433	426	439
Direct labor	54	53	48
Other factory costs	122	122	108
Gross profit or (loss)	62	44	54
SG&A expenses	45	47	45
Operating income or (loss)	17	(3)	10
		Number of firms reporting	
Operating losses	4	4	5
Data	10	10	11

Note--Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table LONG III-7 presents data on U.S. imports of cold bar by sources for the period April 2000-March 2003. Table LONG III-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table LONG III-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table LONG III-7, in the period April 2002 to March 2003, total imports declined, as did imports from covered sources, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 266,423 short tons to 209,607 short tons, while imports from countries covered by the safeguard measure declined from 181,738 short tons to 99,304 short tons, and the quantity of U.S. imports from countries not covered by the safeguard measure increased from 84,685 short tons to 110,302 short tons.[15]

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of cold bar are presented in table LONG III-10 and figure LONG III-2. As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for cold bar was weak at best, and most of the responding U.S. cold bar producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table LONG III-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of cold bar increased by 1.2 percent in the period April 2002 to March 2003, but at the conclusion of this period was 13.8 percent below the level of the period from April 2000 to March 2001.[16]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 84.3 percent to 87.8 percent. Imports from covered countries saw their market share decrease from 10.7 percent to 5.8 percent, while imports from noncovered countries saw their market share increase from 5.0 percent to 6.4 percent.

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[15] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 7.2 percent in the first 12 months of the section 203 safeguard measure. The value of U.S. imports from noncovered sources increased less steeply than the quantity, as the average unit value of such imports decreased by 1.8 percent. The average unit values of all imports increased by 2.4 percent in the first 12 months of the section 203 safeguard measure, and was 0.2 percent higher than in the period April 2000 to March 2001.

[16] As noted in Table LONG I-3, CSC Steel shut down during the period examined. The closure of a mill such as CSC, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, or understate a trend of declining shipments, over the period examined.

Table LONG III-7
Cold bar: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
	Quantity *(short tons)*			*Percent*
Covered sources	217,227	181,738	99,304	-45.4
Noncovered sources:[1]				
Canada	73,371	79,076	99,886	26.3
All others	7,895	5,609	10,416	85.7
Subtotal (noncovered)	81,266	84,685	110,302	30.3
Total (all imports)	298,493	266,423	209,607	-21.3
	Landed, duty paid value *($1,000)*			
Covered sources	167,241	138,502	81,146	-41.4
Noncovered sources:[1]				
Canada	59,946	60,671	76,086	25.4
All others	5,222	3,736	6,291	68.4
Subtotal (noncovered)	65,168	64,407	82,377	27.9
Total (all imports)	232,409	202,908	163,523	-19.4
	Unit value *(per short ton)*			
Covered sources	$770	$762	$817	7.2
Noncovered sources:[1]				
Canada	817	767	762	-0.7
All others	661	666	604	-9.3
Average (noncovered)	802	761	747	-1.8
Average (all imports)	779	762	780	2.4
	Share of total imports based on quantity *(percent)*			*Percentage point*
Covered sources	72.8	68.2	47.4	-20.8
Noncovered sources:[1]				
Canada	24.6	29.7	47.7	18.0
All others	2.6	2.1	5.0	2.9
Subtotal (noncovered)	27.2	31.8	52.6	20.8
Total (all imports)	100.0	100.0	100.0	0.0
	Ratio of imports to production *(percent)*			
Covered sources[1]	12.7	13.1	6.6	-6.5
Noncovered sources	4.8	6.1	7.3	1.2
Total	17.5	19.2	13.9	-5.3

[1] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table LONG III-8
Cold bar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table LONG III-9
Cold bar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	189,735	138,322	75,688
End-of-period inventories	13,911	24,024	19,183
Noncovered sources:			
U.S. shipments of imports	80,867	93,544	124,395
End-of-period inventories	646	581	568
Total:			
U.S. shipments of imports	270,602	231,866	200,083
End-of-period inventories	14,557	24,605	19,751
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	7.3	17.4	25.3
Noncovered sources	0.8	0.6	0.5
Average	5.4	10.6	9.9

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

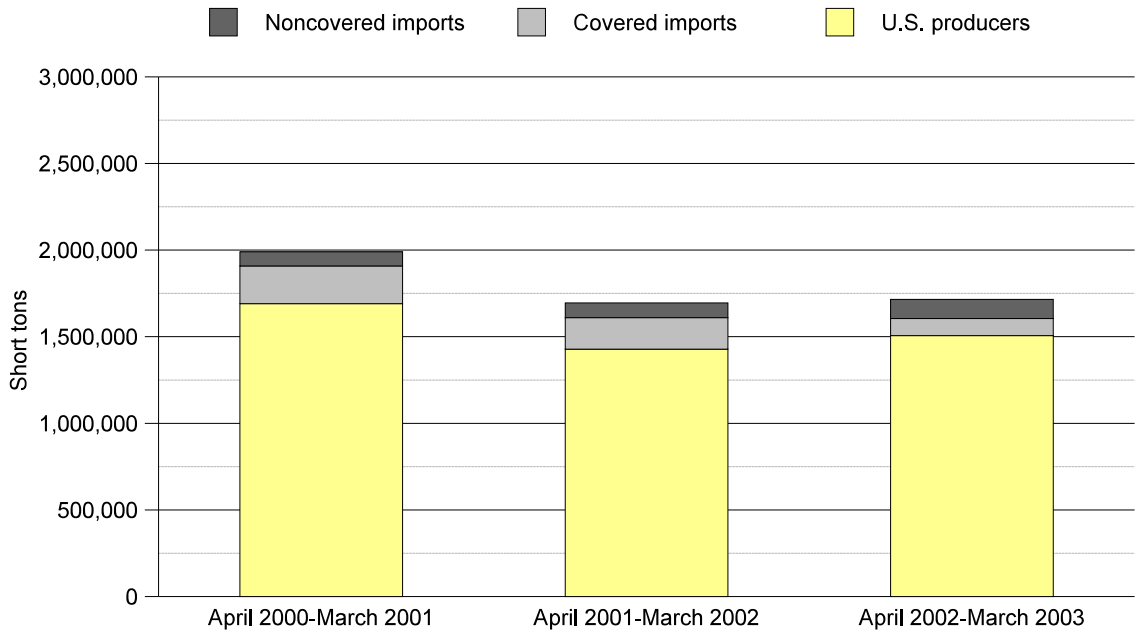
Table LONG III-10
Cold bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	1,691,219	1,428,510	1,506,047
U.S. imports from:			
Covered sources	217,227	181,738	99,304
Noncovered sources	81,266	84,685	110,302
Total U.S. imports	298,493	266,423	209,607
Apparent U.S. consumption	1,989,711	1,694,932	1,715,654
		Value *($1,000)*	
U.S. producers' U.S. shipments	1,193,022	978,430	1,039,535
U.S. imports from:			
Covered sources	167,241	138,502	81,146
Noncovered sources	65,168	64,407	82,377
Total U.S. imports	232,409	202,908	163,523
Apparent U.S. consumption	1,425,432	1,181,339	1,203,058
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	85.0	84.3	87.8
U.S. imports from:			
Covered sources	10.9	10.7	5.8
Noncovered sources	4.1	5.0	6.4
Total U.S. imports	15.0	15.7	12.2
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	83.7	82.8	86.4
U.S. imports from:			
Covered sources	11.7	11.7	6.7
Noncovered sources	4.6	5.5	6.8
Total U.S. imports	16.3	17.2	13.6

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Figure LONG III-2
Cold bar: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table LONG III-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. cold bar producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG III-11 and LONG III-12). U.S. cold bar purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG III-13).

The three factors rated most important by U.S. cold bar producers were: changes in the cost of raw materials; changes in competition between U.S. producers; and changes demand for steel within the United States. The three factors rated most important by cold bar importers were: changes in U.S. production capacity; changes in demand for steel; and changes in the level of competition by imports. The three factors rated most important by cold bar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in U.S. production capacity.[17]

[17] Available information concerning U.S. demand for cold bar products is mixed. Most U.S. producers and importers reported that U.S. demand for cold bar products decreased since March 20, 2002. However, apparent consumption of cold bar products increased by 1.2 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG III-10). The industrial production index showed little change since April 2002, whereas the durable goods production index increased by 3.2 percent during the same time frame (figure OVERVIEW II-2). Manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003, while non-residential construction put in place decreased by 4.8 percent during the same time frame (table OVERVIEW II-1). As previously mentioned, manufacturers' shipments of carbon steel forgings fell by 1.9 percent between the first quarter of 2002 and the first quarter of 2003.

Unit raw materials costs for cold bar products increased by 3.1 percent between April 2001-March 2002 and April 2002-March 2003. Hot bar products are the primary raw material input for cold bar products; prices for product 7, the hot bar product for which the Commission collected quarterly price data, increased between the first quarter of 2002 and the first quarter of 2003 (table LONG II-14). Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-11). Imports of cold bar products decreased by 21.3 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG III-4). U.S. cold bar producer's capacity increased by 7.3 percent, and capacity utilization showed little change between April 2001-March 2002 and April 2002-March 2003 (table LONG III-5).

Table LONG III-11
Cold bar: As reported by producers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.3	16	3	1
Changes in competition between U.S. producers	1.4	6	5	9
Changes in demand for steel within the United States	1.5	1	5	13
Changes in the level of competition from imports from excluded countries	1.6	4	7	6
Changes in the level of competition from imports from non-excluded countries	1.6	6	7	7
Changes in U.S. production capacity	1.9	2	11	7
Changes in energy costs	2.1	14	6	0
Changes in demand for steel outside the United States	2.3	6	10	3
Changes in transportation/delivery cost changes	2.3	14	5	1
Changes in the productivity of domestic producers	2.3	5	11	4
Changing market patterns	2.5	3	12	4
Changes in labor agreements, contracts, etc.	2.6	2	16	2
Changes in the allocation of production capacity to alternate products	3.4	1	18	1
Changes in the level of competition from substitute products	3.7	0	18	2

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG III-12
Cold bar: As reported by importers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in U.S. production capacity	1.7	12	15	9
Changes in demand for steel	1.8	7	10	15
Changes in the level of competition by imports	1.8	13	16	8
Changes in competition between U.S. producers	1.9	13	18	5
Changes in the cost of raw materials	2.0	27	11	0
Changes in the productivity of domestic producers	2.4	5	26	5
Changes in transportation/delivery cost changes	2.5	20	13	0
Changes in energy costs	2.5	25	12	0
Changing market patterns	2.6	7	24	2
Changes in labor agreements, contracts, etc.	2.7	8	26	1
Changes in the level of competition from substitute products	3.1	3	32	3
Changes in the allocation of production capacity to alternate products	3.2	4	31	1

[1] The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG III-13
Cold bar: As reported by purchasers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.8	60	42	3
Changes in demand for steel within the United States	1.8	21	41	46
Changes in U.S. production capacity	1.8	34	40	30
Changes in competition between U.S. producers	1.9	44	46	16
Changes in energy costs	2.1	76	32	1
Changes in transportation/delivery cost changes	2.3	71	35	1
Changes in demand for steel outside the United States	2.3	37	51	10
Changes in the level of competition from imports from non-excluded countries	2.3	30	47	23
Changes in the productivity of domestic producers	2.4	20	64	20
Changing market patterns	2.4	24	60	18
Changes in labor agreements, contracts, etc.	2.6	17	68	12
Changes in the level of competition from imports from excluded countries	2.7	23	69	11
Changes in the allocation of production capacity to alternate products	3.1	13	84	4
Changes in the level of competition from substitute products	3.2	7	91	6

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all of the purchasers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. cold bar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Twelve of 19 responding U.S. cold bar producers and 30 of 34 responding cold bar importers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. Ten of 19 U.S. cold bar producers and 15 of 21 cold bar importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following two cold bar products during April 2000-March 2003:

> ***Product 8A*--C1045, one inch round.** This specialty product is a medium-carbon steel, used where greater strength is required than can be obtained from lower carbon steels. In the size specified, it is used primarily for shafts, machinery parts, and bolts.
>
> ***Product 8B*–C12L14, one inch round**. This specialty product, known as "free machining" steel, contains controlled amounts of evenly dispersed lead particles. Designed for high-speed machining, this product is used to produce automatic screw machine parts.

Reported pricing data accounted for 15.8 percent of the quantity of U.S. producers' U.S. commercial shipments of cold bar, 29.3 percent of the quantity of total imports, and 45.5 percent and less than 0.05 percent, respectively, of the quantity of covered and noncovered imports of cold bar during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported cold bar products are shown in tables LONG III-14 and LONG III-15. Weighted average prices of U.S.-produced, covered imported, and noncovered imported cold bar products are also shown in figures LONG III-3 and LONG III-4.[18] A summary of the price data, by product, is shown in table LONG III-16 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables LONG III-17 and LONG III-18, respectively.

Table LONG III-14
Cold bar: Weighted-average price and quantity data for U.S.-produced and imported product 8A from covered sources and noncovered sources, and margins of underselling, by quarters, April 2000-March 2003

* * * * * * *

The Commission collected quarterly pricing data for two cold bar products. Domestic producers' prices for the first product increased by 1.2 percent from the first quarter of 2002 to the first quarter of 2003, and their prices for the second product increased by 3.6 percent over the same period. Prices for both products were lower in the first quarter of 2003 than they were in the second quarter of 2000, however, by 2.0 percent and 1.9 percent, respectively. Prices of imports of both products from sources covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003, rising by 4.3 percent and 9.7 percent, respectively. In this period, there were only isolated pricing observations of imports from sources not covered by the safeguard measure. In the period April 2002 to March 2003, imports from sources covered by the measure undersold the domestically produced product in 5 of 8 quarterly comparisons.[19]

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[18] Public price data for cold bar products are shown in figure H-7 of app. H

[19] Weighted-average prices for product 8A imported from covered sources were substantially lower than weighted-average prices for U.S.-produced product 8A. Low product 8A prices reported by *** were primarily responsible for the substantially lower weighted-average prices.

Table LONG III-15
Cold bar: Weighted-average price and quantity data for U.S.-produced and imported product 8B[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$622.40	3,563	$***	***	***	$***	***	***
July-September	622.14	2,879	***	***	***	***	***	***
October-December	605.87	2,612	***	***	***	***	***	***
2001:								
January-March	597.15	2,433	***	***	***	***	***	***
April-June	582.46	2,146	***	***	***	***	***	***
July-September	591.39	1,905	***	***	***	***	***	***
October-December	587.89	1,881	***	***	***	***	***	***
2002:								
January-March	589.54	1,942	***	***	***	***	***	***
April-June	592.10	2,264	***	***	***	***	***	***
July-September	616.49	1,751	***	***	***	***	***	***
October-December	610.69	1,855	***	***	***	***	***	***
2003:								
January-March	610.71	2,077	***	***	***	***	***	***

[1] C12L14, one inch round.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure LONG III-3
Cold bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 8A, April 2000-March 2003

* * * * * * *

Figure LONG III-4
Cold bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 8B, April 2000-March 2003

* * * * * * *

Table LONG III-16
Cold bar: Change in quarterly prices of U.S. product, imports from covered sources and imports from noncovered sources, by product

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
8A	-2.0	1.2	12.4	4.3	([1])	([1])
8B	-1.9	3.6	3.6	9.7	-16.1	([1])

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG III-17
Cold bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
8A	12	63.4	57.9[1]	0	([2])	([2])
8B	9	6.2	0.4	3	1.9	0.3

[1] Weighted-average prices for product 8A imported from covered sources were substantially lower than weighted-average prices for U.S.-produced product 8A. Low product 8A prices reported by *** were primarily responsible for the substantially lower weighted-average prices.
[2] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG III-18
Cold bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003.

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
8A	0	([1])	([1])	0	([1])	([1])
8B	4	22.1	7.3	0	([1])	([1])

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: INDUSTRY AND MARKET DATA (REBAR)

DESCRIPTION AND USES

Carbon steel reinforcing bar (rebar) are hot-rolled steel products that have a solid cross-section (as described for hot bars) and contain indentations, ribs, grooves, or other deformations produced during the rolling process or by twisting after rolling, for the purpose of improving the bond with concrete. Rebar is used for structural reinforcement within cast concrete structures. HTS statistical reporting numbers for subject rebar are presented in table LONG IV-1.

Table LONG IV-1
Rebar: Subject HTS statistical reporting numbers

Item	Statistical reporting numbers	
Rebar[1]	7213.10.00	7214.20.00

[1] The temporary HTS subheadings for rebar established by proclamation pursuant to trade legislation are:
(1) 9903.73.70 through 9903.81.73 for products excluded from the section 203 remedy, and
(2) 9903.73.69, 9903.73.70, and 9903.73.71 for products not excluded from relief and incurring, respectively, 15 percent additional tariffs through March 19, 2003, 12 percent additional tariffs through March 19, 2004, and 9 percent additional tariffs through March 20, 2005.

Source: Harmonized Tariff Schedule of the United States (2003).

MARKET ENVIRONMENT

Changes in U.S. Demand

Rebar is used for structural reinforcement within cast concrete structures. As shown in section OVERVIEW II, the value of U.S. nonresidential construction put in place decreased by 4.8 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1).

The data collected by the Commission (which do not include 100 percent of U.S. production) indicates that apparent U.S. consumption of rebar increased by 9.7 percent from April 2000-March 2001 to April 2001-March 2002, then decreased by 6.6 percent in April 2002-March 2003.

Seven of nine responding U.S. rebar producers and 12 of 14 responding rebar importers reported that U.S. demand for steel has decreased since March 20, 2002. U.S. rebar producers that reported decreased demand generally cited the slowing U.S. economy, particularly weakness in the construction market sector and reduced government spending on transportation projects. Rebar importers that reported decreased demand generally cited the slowing U.S. economy, particularly decreased capital spending and lower construction rates.[1]

All eight responding U.S. rebar producers and 9 of 11 responding rebar importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

[1] Counsel to the Long Producers Coalition testified that U.S. rebar producers, in contrast to U.S. hot and cold bar producers, have suffered operating losses despite increased volume due to weak demand for non-residential construction and higher raw material costs. Testimony of Alan Price, counsel to the Long Producers Coalition, transcript of Commission hearing (July 24, 2003) at 35.

Changes in U.S. Supply

Riverview Steel, a producer of rebar without raw steel capacity, shut down its rolling operations in August 2000, restarted operations in the spring of 2001, then filed for bankruptcy and shut down operations again in August 2001. Nucor acquired the Kingman, AZ rebar and wire rod minimill from North Star Steel in March 2003, but the rolling assets have remained idle. Also, in September 2002, Slater Steel purchased Auburn Steel's Lemont, IL minimill (shuttered since February 2001), and re-commissioned the mill in December 2002 to ramp up production of merchant and special quality bars and rebar. Additionally, in September 2002, Steel Dynamics purchased the hot bar assets of Qualitech (shut down since January 2001) and has announced its expected start up in the first quarter of 2004 as a producer of special quality bars, rebar, and light sections.[2] [3]

As shown in the table LONG IV-2, with the exceptions of efforts to increase product availability and increasing order backlogs, the majority of rebar producers reported no changes in their marketing practices since March 20, 2002.

Table LONG IV-2
Rebar: U.S. producer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of producers reporting	
	No	Yes
Efforts to increase product availability	4	5
Change in geographic market	7	2
Change in channels of distribution	6	2
Change in share of sales from inventory	8	1
Change in average lead times from inventory	7	0
Change in average lead times from production	5	1
Change in product range	6	3
Change in demand for or production of alternate products	8	1

	Increased	Decreased	Stayed same
Change in order backlogs	5	1	3
Change in on-time shipping percentage	0	1	8

Source: Compiled from data submitted in response to Commission questionnaires.

[2] *See* table LONG I-3.

[3] Counsel to the Long Producers Coalition testified that the North Star Steel-Kingman rebar facility remains closed under Nucor's ownership. Testimony of Alan Price, counsel to the Long Producers Coalition, transcript of Commission hearing (July 24, 2003) at 41.

Thirteen of 43 responding rebar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Sixteen of 41 responding rebar purchasers reported increased average lead times for their purchases of domestic steel, 22 reported no change in domestic lead times, and three reported decreased domestic lead times. Rebar purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.[4] Of 43 responding purchasers, 27 did not indicate that producers had taken any such actions. However, 5 of 43 responding purchasers reported that domestic producers had introduced new or innovative products, 4 reported that domestic producers had improved product quality, 6 reported that domestic producers had expanded marketing efforts, 7 reported that domestic producers had improved customer service, and 5 reported that domestic producers had made other positive adjustment efforts.[5]

Based on data compiled in this investigation, U.S. rebar producers' capacity utilization was 82.6 percent during April 2002-March 2003, and their inventories as a percentage of total shipments were 7.4 percent. Exports accounted for 3.0 percent of total shipments.

Changes in Import Supply

Total imports of rebar fell by 44.2 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of rebar from covered countries fell by 77.7 percent and imports of rebar from noncovered countries increased by 50.5 percent during the same period. The U.S. market share accounted for by imports of rebar from covered countries fell from 16.6 percent in April 2001-March 2002 to 4.0 percent in April 2002-March 2003. The U.S. market share accounted for by imports of rebar from noncovered countries increased from 5.9 percent in April 2001-March 2002 to 9.5 percent in April 2002-March 2003.[6]

As shown in the table LONG IV-3, with the exceptions of efforts to increase product availability and decreasing order backlogs, the majority of rebar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table LONG IV-4.

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[4] Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

[5] Some purchasers reported more than one of these actions.

[6] *See* tables LONG IV-7 and LONG IV-10.

Table LONG IV-3
Rebar: U.S. importer responses to questions regarding firms' activities since March 20, 2002

Marketing practice	Number of importers reporting	
	No	Yes
Efforts to increase product availability	7	8
Change in geographic market	15	1
Change in channels of distribution	12	1
Change in share of sales from inventory	14	1
Change in average lead times from inventory	6	0
Change in average lead times from production	8	5
Change in product range	14	2
Change in demand for or production of alternate products	14	0
Importing of steel from foreign producers from which previously have not imported	8	7

	Increased	Decreased	Stayed same
Change in order backlogs	3	6	5
Change in on-time shipping percentage	0	5	11

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG IV-4
Rebar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments, April 2002-March 2003

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons		*Percent*	
Covered	5,912,143	90.3	2.2	6.1
Noncovered	4,379,962	48.3	***	***

Source: Compiled from data submitted in response to Commission questionnaires

Timeline

Figure LONG-IV-1 shows monthly shipments of rebar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the line) and start ups and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard events while antidumping duty orders are shown below the line.[7]

U.S. INDUSTRY DATA

Table LONG IV-5 presents information on U.S. rebar producers' capacity, production, shipments, inventories, and employment. The responding U.S. producers are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following firms reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation: ***.

As presented in Table LONG IV-5, reporting U.S. producers' aggregate output-related indicators rose in the period April 2002 to March 2003. In the first 12 months of the section 203 safeguard measure, the domestic industry's capacity increased by 0.5 percent, production increased by 4.6 percent, and U.S. shipments increased by 4.2 percent.[8] Each of these indicators was higher than in the period from April 2000 to March 2001.[9] Because production increased while capacity changed only slightly, capacity utilization increased from 79.4 percent to 82.6 percent in the period April 2002 to March 2003. By contrast, in the period from April 2000 to March 2001, capacity utilization was 75.6 percent. The number of production and related workers employed declined by 2.7 percent in the period April 2002 to March 2003, and was 1.0 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by 5.7 percent; productivity gains, combined with a more moderate increase in the hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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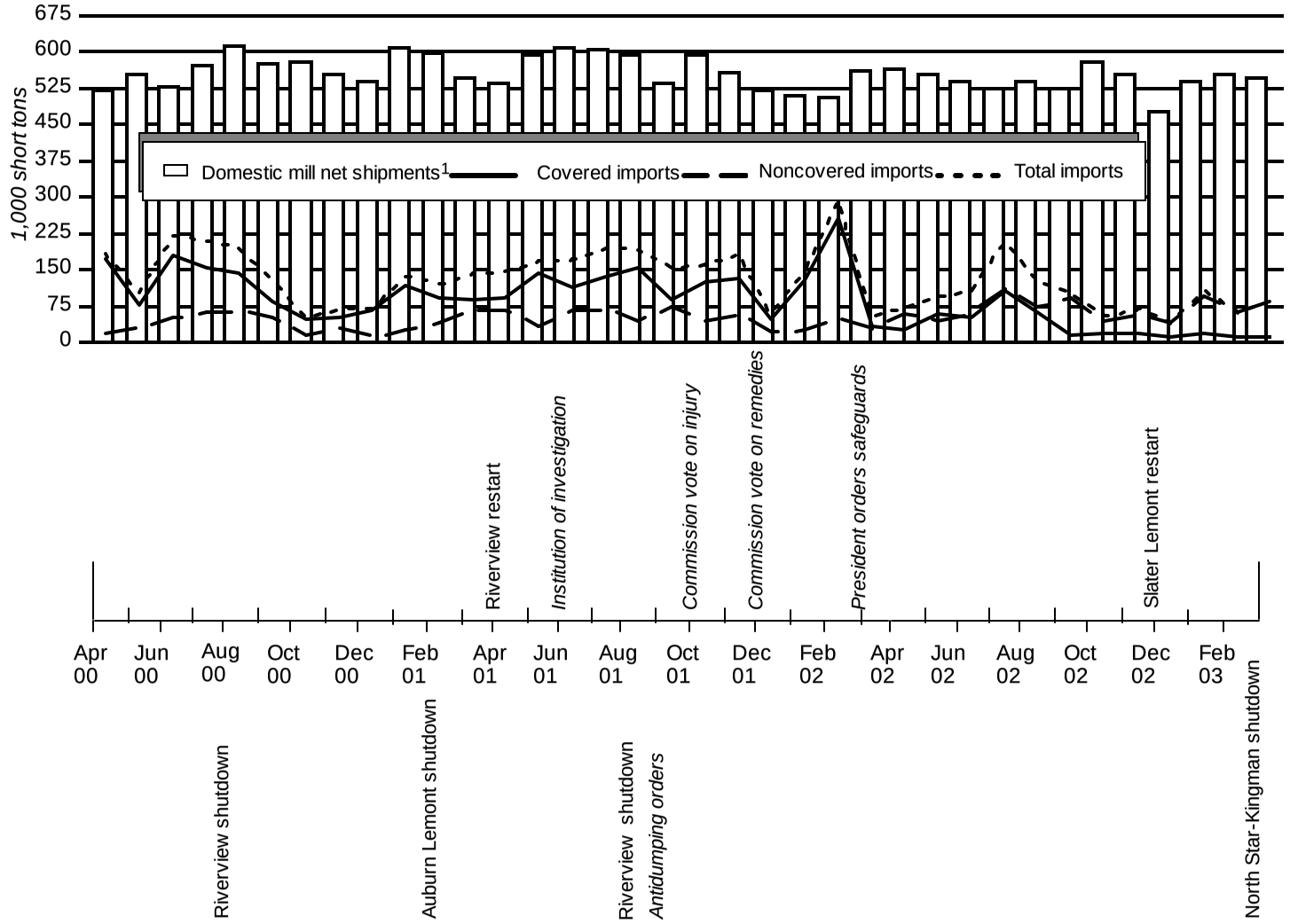
[7] On September 7, 2001, Commerce imposed antidumping duty orders on rebar from Belarus, China, Indonesia, Korea, Latvia, Moldova, Poland and Ukraine (66 FR 46777).

[8] The value of the domestic industry's U.S. shipments increased by only 2.3 percent, reflecting a decrease in the average unit value of such shipments. While the value of such shipments was higher than in the period April 2000 to March 2001, the average unit value was lower.

[9] As noted in table LONG I-3, Riverview Steel shut down over the period examined. The closure of a mill such as Riverview Steel, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments (or other volume related measures), or understate a trend of declining shipments (or other volume related measures), over the period examined.

Figure LONG IV-1
Rebar: Monthly imports and monthly domestic net shipments, antidumping duty orders, facility shutdowns and restarts, and investigation milestones, April 2000-March 2003



[1] Domestic mill shipments, excluding shipments to reporting companies.

Source: Compiled from official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

Table LONG IV-5
Rebar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
Capacity	8,034,167	8,011,725	8,053,328
Production	6,076,360	6,360,706	6,651,831
Internal consumption/transfers	1,137,544	1,236,078	1,223,237
U.S. commercial shipments	4,825,538	5,157,119	5,440,055
U.S. shipments	5,963,083	6,393,196	6,663,292
Export shipments	156,267	107,001	206,036
Total shipments	6,119,350	6,500,197	6,869,328
Ending inventories	660,058	632,503	508,353
		Value *($1,000)*	
Internal consumption/transfers	300,814	319,200	312,209
U.S. commercial shipments	1,303,236	1,370,077	1,415,923
U.S. shipments	1,604,050	1,689,277	1,728,132
Export shipments	39,406	26,957	50,207
Total shipments	1,643,456	1,716,234	1,778,340
		Unit value *(per short ton)*	
Internal consumption/transfers	264	258	255
U.S. commercial shipments	270	266	260
U.S. shipments	269	264	259
Export shipments	252	252	244
Total shipments	269	264	259
		Ratios and shares *(percent)*	
Capacity utilization	75.6	79.4	82.6
U.S. shipments to distributors	38.4	38.9	40.4
U.S. shipments to end users	61.6	61.1	59.6
Inventories/total shipments	10.8	9.7	7.4
		Employment data	
PRWs[1] *(number)*	3,672	3,736	3,636
Hours worked *(1,000)*	7,919	8,021	7,937
Wages paid *($1,000)*	191,534	206,937	212,950
Hourly wages	$24.19	$25.80	$26.83
Productivity *(short tons/1,000 hours)*	767.3	793.0	838.1
Unit labor costs *(per short ton)*	$31.52	$32.53	$32.01

[1] Production and related workers.

Note–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

FINANCIAL DATA

Financial data provided by U.S. producers concerning rebar are presented in table LONG IV-6.[10] Only two firms reported the receipt of CDSOA (Byrd Amendment) funds during the period examined. All CDSOA funds are classified as "other income" in the following table.

The majority of firms that provided usable financial data for long products reported pension expense and/or other post-employment benefits during the period examined, with six firms reporting such expenses for rebar. All pension expense and other post-employment benefits are classified as COGS and/or SG&A expenses in the following table.

As presented in table LONG IV-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following more modest increases in the previous 12-month period, and surpassed the levels reported in the period April 2000 to March 2001. In the first 12 months of the section 203 safeguard measure, the domestic industry's average unit values for commercial sales decreased from $265 to $260, and below the $270 average unit value for the period from April 2000 to March 2001.

Unit COGS increased on a unit basis from $237 to $247. This reflected a sharp increase in unit raw materials costs; by contrast, unit labor and other factory costs declined in the period April 2002 to March 2003.[11] Although the industry's total sales revenues increased in the period April 2002 to March 2003 because of its increase in shipments, the concurrent declines in unit revenues and increases in unit costs adversely affected the industry's operating margins. The operating margin declined from positive 3.8 percent to negative 0.7 percent in the period April 2002 to March 2003. Additionally, the number of firms reporting operating losses increased.

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[10] ***.

[11] Per-unit raw material costs for rebar declined 2.5 percent in the period April 2001 to March 2002 as compared to the prior period, then increased 12.6 percent in the period April 2002 to March 2003. The principal raw material used in the production of rebar is steel scrap. The average steel scrap price was $85.75 per ton during the April 2000-March 2001 period but decreased to $69.09 per ton during April 2001-March 2002 and increased to $96.07 per ton during the period from April 2002 to March 2003. Source: American Metal Market (AMM) average price of #1 Heavy Melting Steel for each period at Chicago, Philadelphia, and Pittsburgh (also referred to as the AMM Composite Price).

Table LONG IV-6
Rebar: Results of operations of U.S. producers, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity (*short tons*)	
Net commercial sales	4,981,806	5,264,120	5,646,092
		Value *($1,000)*	
Net commercial sales	1,346,644	1,397,034	1,466,120
COGS	1,208,510	1,248,056	1,392,801
Gross profit or (loss)	138,134	148,979	73,320
SG&A expenses	95,578	95,318	82,870
Operating income or (loss)	42,555	53,660	(9,550)
Interest expense	36,824	43,383	22,665
Other (income)/expenses, net	(10,764)	(1,275)	1,413
Net income or (loss)	16,495	11,552	(33,628)
Depreciation/amortization	71,274	75,282	72,029
Cash flow	87,769	86,834	38,401
CDSOA funds received	0	0	1,409
Pension (credit)/expense	2,242	3,000	3,769
Other post-employment benefits	4,392	5,260	5,369
Capital expenditures	44,923	27,013	34,952
R&D expenses	459	487	570
		Ratio to net commercial sales (*percent*)	
COGS	89.7	89.3	95.0
Gross profit or (loss)	10.3	10.7	5.0
SG&A expenses	7.1	6.8	5.7
Operating income or (loss)	3.2	3.8	(0.7)
Net income or (loss)	1.2	0.8	(2.3)
		Unit value (*per short ton*)	
Net commercial sales	$270	$265	$260
COGS total	243	237	247
Raw materials	122	119	134
Direct labor	25	25	24
Other factory costs	96	93	89
Gross profit or (loss)	28	28	13
SG&A expenses	19	18	15
Operating income or (loss)	9	10	(2)
		Number of firms reporting	
Operating losses	4	3	5
Data	10	10	10

Note--Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table LONG IV-7 presents data on U.S. imports of rebar by sources for the period April 2000-March 2003. Table LONG IV-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table LONG IV-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

As presented in Table LONG IV-7, in the period April 2002 to March 2003, total imports declined, imports from covered sources declined sharply, and imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 1,851,865 short tons to 1,034,251 short tons. Imports from countries covered by the safeguard measure declined from 1,367,171 short tons to 304,938 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 484,694 short tons to 729,313 short tons.[12] Imports from Brazil, the Dominican Republic, and Egypt more than doubled in quantity.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of rebar are presented in table LONG IV-10 and figure LONG IV-2. As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for rebar declined, and most of the responding U.S. rebar producers and importers agreed that demand for steel has decreased since March 2002. As presented in Table LONG IV-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of rebar decreased by 6.6 percent in the period April 2002 to March 2003, but at the conclusion of this period was 2.4 percent above the level of the period from April 2000 to March 2001.[13]

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 77.5 percent to 86.6 percent. Imports from covered countries saw their market share decrease from 16.6 percent to 4.0 percent, while imports from noncovered countries saw their market share increase from 5.9 percent to 9.5 percent.

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[12] The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 10.2 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased more steeply than the quantity, as the average unit value of such imports increased by 3.1 percent. The average unit values of all imports increased by 8.3 percent in the first 12 months of the section 203 safeguard measure, and was 5.4 percent higher than in the period April 2000 to March 2001.

[13] As noted in Table LONG I-3, Riverview Steel shut down over the period examined. The closure of a mill such as Riverview Steel, and its corresponding absence from the data collected, would tend to overstate a trend of increasing shipments, or understate a trend of declining shipments, over the period examined.

Table LONG IV-7
Rebar: U.S. imports, by sources, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003	Period change from period 2 to period 3
		Quantity *(short tons)*		*Percent*
Covered sources[1]	1,192,597	1,367,171	304,938	-77.7
Noncovered sources:[2]				
Brazil	48,823	36,535	85,367	133.7
Czech Republic	44,274	57,705	44,238	-23.3
Dominican Republic	0	18,420	76,683	316.3
Egypt	0	39,155	136,773	249.3
Latvia	124,575	33,662	34,858	3.6
Mexico	67,941	202,771	210,563	3.8
Romania	18,809	38,751	53,802	38.8
Subtotal	304,422	426,999	642,284	50.4
All others	56,953	57,695	87,029	50.8
Subtotal (noncovered)	361,375	484,694	729,313	50.5
Total (all imports)	1,553,972	1,851,865	1,034,251	-44.2
		Landed, duty paid value *($1,000)*		
Covered sources[1]	264,805	293,263	72,087	-75.4
Noncovered sources:[2]				
Brazil	10,382	7,663	19,507	154.6
Czech Republic	10,567	12,299	9,904	-19.5
Dominican Republic	0	4,377	19,807	352.5
Egypt	0	8,983	32,434	261.1
Latvia	26,739	6,761	8,139	20.4
Mexico	17,667	46,520	50,241	8.0
Romania	5,108	9,919	12,622	27.3
Subtotal	70,463	96,522	152,654	58.2
All others	13,458	14,783	19,989	35.2
Subtotal (noncovered)	83,921	111,305	172,643	55.1
Total (all imports)	348,726	404,568	244,730	-39.5
		Unit value *(per short ton)*		
Covered sources[1]	$222	$215	$236	10.2
Noncovered sources:[2]				
Brazil	213	210	229	8.9
Czech Republic	239	213	224	5.0
Dominican Republic	([3])	238	258	8.7
Egypt	([3])	229	237	3.4
Latvia	215	201	233	16.3
Mexico	260	229	239	4.0
Romania	272	256	235	-8.3
Average	231	226	238	5.1
All others	236	256	230	-10.4
Average (noncovered)	232	230	237	3.1
Average (all imports)	224	218	237	8.3
		Share of total imports based on quantity *(percent)*		*Percentage point*
Covered sources[1]	76.7	73.8	29.5	-44.3
Noncovered sources:[2]				
Brazil	3.1	2.0	8.3	6.3
Czech Republic	2.8	3.1	4.3	1.2
Dominican Republic	0.0	1.0	7.4	6.4
Egypt	0.0	2.1	13.2	11.1
Latvia	8.0	1.8	3.4	1.6
Mexico	4.4	11.0	20.4	9.4
Romania	1.2	2.1	5.2	3.1
Subtotal	19.6	23.1	62.1	39.0
All others	3.7	3.1	8.4	5.3
Subtotal (noncovered)	23.3	26.2	70.5	44.3
Total (all imports)	100.0	100.0	100.0	0.0
		Ratio of imports to production *(percent)*		
Covered sources[1]	19.6	21.5	4.6	-16.9
Noncovered sources	5.9	7.6	11.0	3.3
Total	25.6	29.1	15.5	-13.6

[1] Although Moldova, Turkey, and Venezuela are generally exempt from the section 203 relief, they are covered sources with respect to imports of rebar.

[2] Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are itemized.

[3] Not applicable.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of Commerce.

Table LONG IV-8
Rebar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003

* * * * * * *

Table LONG IV-9
Rebar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003

Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
	Quantity *(short tons)*		
Covered sources:			
U.S. shipments of imports	713,593	693,674	328,484
End-of-period inventories	0	1,340	0
Noncovered sources:			
U.S. shipments of imports	193,217	344,720	287,639
End-of-period inventories	671	1,615	3,676
Total:			
U.S. shipments of imports	906,810	1,038,394	616,123
End-of-period inventories	671	2,955	3,676
	Ratio of inventories to U.S. shipments of imports *(percent)*		
Covered sources	0.0	0.2	0.0
Noncovered sources	0.3	0.5	1.3
Average	0.1	0.3	0.6

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG IV-10
Rebar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003

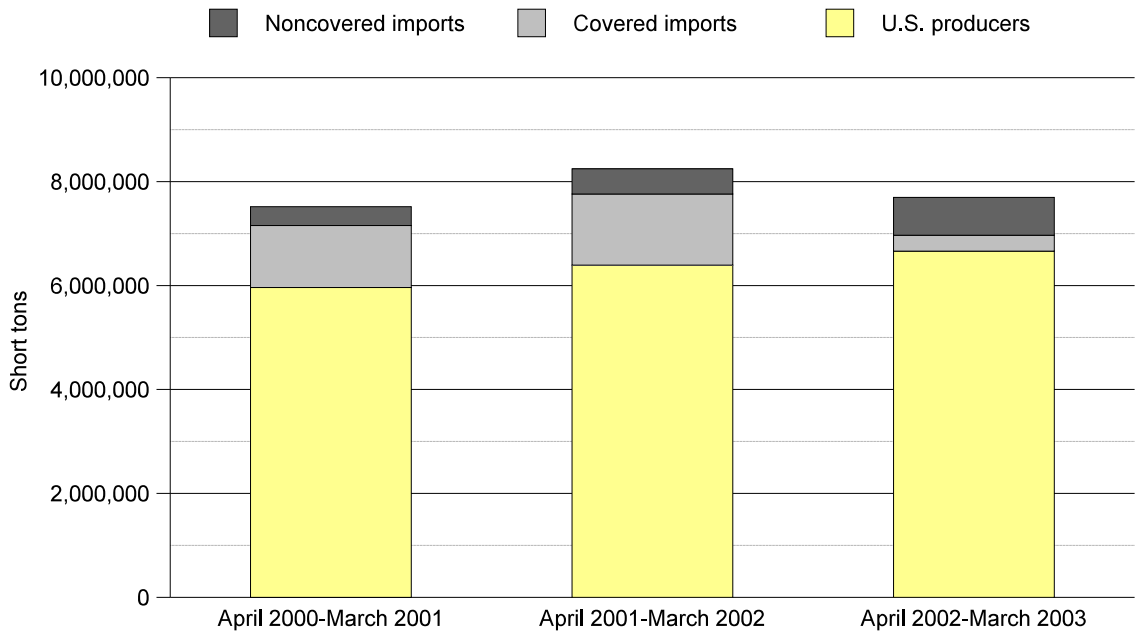
Item	April 2000-March 2001	April 2001-March 2002	April 2002-March 2003
		Quantity *(short tons)*	
U.S. producers' U.S. shipments	5,963,083	6,393,196	6,663,292
U.S. imports from:			
Covered sources[1]	1,192,597	1,367,171	304,938
Noncovered sources	361,375	484,694	729,313
Total U.S. imports	1,553,972	1,851,865	1,034,251
Apparent U.S. consumption	7,517,055	8,245,062	7,697,542
		Value *($1,000)*	
U.S. producers' U.S. shipments	1,604,050	1,689,277	1,728,132
U.S. imports from:			
Covered sources[1]	264,805	293,263	72,087
Noncovered sources	83,921	111,305	172,643
Total U.S. imports	348,726	404,568	244,730
Apparent U.S. consumption	1,952,776	2,093,845	1,972,862
		U.S. market share based on quantity *(percent)*	
U.S. producers' U.S. shipments	79.3	77.5	86.6
U.S. imports from:			
Covered sources[1]	15.9	16.6	4.0
Noncovered sources	4.8	5.9	9.5
Total U.S. imports	20.7	22.5	13.4
		U.S. market share based on value *(percent)*	
U.S. producers' U.S. shipments	82.1	80.7	87.6
U.S. imports from:			
Covered sources[1]	13.6	14.0	3.7
Noncovered sources	4.3	5.3	8.8
Total U.S. imports	17.9	19.3	12.4

[1] Although Moldova, Turkey, and Venezuela are generally excluded from the section 203 relief, they are covered sources with respect to imports of rebar.

Note–Because of rounding, figures may not add to totals shown.

Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.

Figure LONG IV-2
Rebar: Apparent U.S. consumption, by sources, April 2000-March 2003



Source: Table LONG IV-10.

PRICING AND RELATED INFORMATION

Factors Affecting Prices

Producer, Importer, and Purchaser Responses

U.S. rebar producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG IV-11 and LONG IV-12). U.S. rebar purchasers were also asked to report the importance of these factors that have influenced the price of steel in the U.S. market, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table LONG IV-13).

The three factors rated most important by U.S. rebar producers were: changes in the cost of raw materials; changes in the level of competition from imports from excluded countries; and changes in competition between U.S. producers. The three factors rated most important by rebar importers were: changes in demand for steel; changes in competition between U.S. producers; and changes in U.S. production capacity. The three factors rated most important by rebar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in the level of competition from imports from non-excluded countries.[14]

[14] Available information indicates that U.S. demand for rebar has declined since March 20, 2002. Most U.S. producers and importers reported that U.S. demand for rebar has decreased since March 20, 2002. Apparent consumption of rebar decreased by 6.6 percent between April 2001-March 2002 and April 2002-March 2003 (table LONG IV-10). Manufacturers' shipments of non-residential construction put in place decreased by 4.8 percent since April 2002 (table OVERVIEW II-1).

Unit raw materials costs for rebar increased by 12.6 percent between April 2001-March 2002 and April 2002-March 2003. Prices for steel scrap increased by 30.8 percent since April 2002 (figure OVERVIEW II-11). Imports of rebar from covered sources fell sharply by 77.7 percent between April 2001-March 2002 and April 2002-March 2003, whereas rebar imports from noncovered sources increased sharply by 50.5 percent during the same time frame (table LONG IV-7). U.S. rebar producers' capacity and capacity utilization showed relatively little change between April 2001-March 2002 and April 2002-March 2003 (table LONG IV-5).

Table LONG IV-11
Rebar bar: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.3	9	0	0
Changes in the level of competition from imports from excluded countries	1.4	4	4	1
Changes in competition between U.S. producers	1.4	1	5	3
Changes in the level of competition from imports from non-excluded countries	1.7	0	2	6
Changes in U.S. production capacity	1.7	1	6	2
Changes in demand for steel within the United States	1.8	0	2	7
Changes in energy costs	2.0	8	1	0
Changes in the productivity of domestic producers	2.6	3	6	0
Changes in demand for steel outside the United States	2.8	4	3	0
Changes in transportation/delivery cost changes	2.8	9	0	0
Changes in the allocation of production capacity to alternate products	3.2	0	9	0
Changing market patterns	3.2	2	7	0
Changes in labor agreements, contracts, etc.	3.3	0	7	2
Changes in the level of competition from substitute products	3.7	0	9	0

[1] The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all producers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG IV-12
Rebar: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in demand for steel	1.3	3	1	11
Changes in competition between U.S. producers	1.5	8	3	4
Changes in U.S. production capacity	1.7	5	4	4
Changes in the level of competition by imports	1.9	5	6	4
Changes in the cost of raw materials	2.1	11	3	1
Changes in the productivity of domestic producers	2.4	3	8	3
Changes in energy costs	2.5	10	5	0
Changing market patterns	2.6	3	8	3
Changes in transportation/delivery cost changes	2.7	7	8	0
Changes in labor agreements, contracts, etc.	2.9	5	8	2
Changes in the level of competition from substitute products	3.0	1	12	2
Changes in the allocation of production capacity to alternate products	3.1	3	11	0

[1] The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all importers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG IV-13
Rebar: As reported by *purchasers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002

Item	Importance[1]	Influence of factors[2]		
	Ranking	I	N	D
Changes in the cost of raw materials	1.5	29	12	0
Changes in demand for steel within the United States	1.8	5	17	19
Changes in the level of competition from imports from non-excluded countries	2.0	9	12	20
Changes in competition between U.S. producers	2.0	17	17	7
Changes in U.S. production capacity	2.0	15	21	7
Changing market patterns	2.1	11	20	9
Changes in energy costs	2.1	26	15	0
Changes in transportation/delivery cost changes	2.3	32	10	0
Changes in the level of competition from imports from excluded countries	2.5	8	20	12
Changes in demand for steel outside the United States	2.5	15	18	3
Changes in the productivity of domestic producers	2.6	5	26	9
Changes in labor agreements, contracts, etc.	3.1	4	34	1
Changes in the allocation of production capacity to alternate products	3.3	2	36	1
Changes in the level of competition from substitute products	3.4	0	41	0

[1] The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

[2] The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note–Not all of the purchasers answered for all of the factors.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing Practices

Nearly all responding U.S. rebar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Seven of eight responding U.S. rebar producers and 14 of 15 responding rebar importers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. Four of five U.S. rebar producers and four of 10 rebar importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following rebar product during April 2000-March 2003:

> ***Product 9*–Straight ASTM A615, Nos. 4 and 5, grade 60 rebar.** This commodity product is used for internal reinforcement of concrete construction components. Arrays of this product are placed within forms, and concrete is cast around and within those arrays.

Reported pricing data accounted for 51.9 percent of the quantity of U.S. producers' U.S. commercial shipments of rebar, 38.7 percent of the quantity of total imports, and 45.2 percent and 26.7 percent, respectively, of the quantity of covered and noncovered U.S. imports of rebar during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported rebar are shown in table LONG IV-14. Weighted average prices of U.S.-produced, covered imported, and noncovered imported rebar are also shown in figure LONG IV-3.[15] A summary of the price data is shown in table LONG IV-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables LONG IV-16 and LONG IV-17, respectively.

Quarterly prices for the domestically produced rebar product for which the Commission collected pricing data increased by 0.2 percent from the first quarter of 2002 to the first quarter of 2003, but was 6.1 percent below its level in the second quarter of 2000. Prices of imports of this product from both sources covered by the safeguard measure and those not covered by the safeguard measure increased from the first quarter of 2002 to the first quarter of 2003, rising by 11.6 percent and *** percent, respectively. In the period April 2002 to March 2003, imports from sources covered by the section 203 safeguard measure undersold the domestically produced product in all 4 quarterly comparisons. Imports from sources not covered by the measure undersold the domestically produced product in 3 of 4 quarterly comparisons.

[15] Public price data for rebar are shown in figure H-8 of app. H.

Table LONG IV-14
Rebar: Weighted-average price and quantity data for U.S.-produced and imported product 9[1] from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003

	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
Period	*Per ton*	*Short tons*	*Per ton*	*Short tons*	*Percent*	*Per ton*	*Short tons*	*Percent*
2000:								
April-June	$***	***	$223.94	201,633	***	$226.61	8,696	***
July-September	***	***	237.07	165,616	***	***	***	***
October-December	***	***	209.07	50,969	***	220.14	5,591	***
2001:								
January-March	***	***	269.29	108,960	***	217.30	26,448	***
April-June	***	***	251.90	136,655	***	230.80	15,180	***
July-September	***	***	250.81	162,829	***	227.08	73,630	***
October-December	***	***	247.44	129,091	***	252.42	21,062	***
2002:								
January-March	***	***	230.12	132,363	***	***	***	***
April-June	***	***	***	***	***	244.49	45,699	***
July-September	***	***	243.53	49,797	***	252.50	62,486	***
October-December	***	***	***	***	***	250.64	56,168	***
2003:								
January-March	***	***	256.85	37,780	***	261.27	49,190	***

[1] Straight ASTM A615, Nos. 4 and 5, grade 60 rebar.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure LONG IV-3
Rebar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 9, April 2000-March 2003

* * * * * * *

Table LONG IV-15
Rebar: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	Percent					
9	-6.1	0.2	14.7	11.6	15.3	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG IV-16
Rebar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
9	11	21.8	0.6	1	2.0	2.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table LONG IV-17
Rebar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
9	11	19.0	3.1	1	1.1	1.1

Source: Compiled from data submitted in response to Commission questionnaires.

PART V: ADJUSTMENT EFFORTS

Section 204 requires the Commission to monitor and report on the progress and specific efforts made by workers and firms to adjust to import competition. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. The report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

PROPOSED ADJUSTMENT PLANS

In the section 201 investigation, the domestic long producers' adjustment plans reviewed by the Commission included capital expenses intended to enhance efficiency and reduce costs. These proposed projects, some of which have now been implemented, included modifying, refurbishing, or replacing furnaces and installing new transformers, control systems, and other productive equipment. Several producers proposed resuming a more normal scope and pace of operations by increasing productive shifts, rehiring laid off workers, or paying down debt. Another element of the adjustment plans was the installation of equipment designed to permit producers to offer new product lines, such as special bar quality (SBQ) bar and high-strength joint bar, specialty types of cold-finished bar, and stainless or corrosion-resistant rebar. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table LONG V-1.[1]

In the current monitoring proceeding, the Commission asked U.S. producrs whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if their firm were granted relief as a result of that investigation, their firm would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires.[2] The firms' responses are presented at the end of this chapter in table LONG V-4.

SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS

The Commission asked U.S. producers to describe the significance of the tariffs and/or tariff-rate quotas imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

(a) Production capacity, production, shipments, inventories, and employment.

(b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.

(c) Changes in collective bargaining agreements.

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[1] Also included in the table is the number of firms that stated they had no planned adjustments.

[2] Firms were also asked to attach copies of their specific adjustment plans as reported to the Commission during Inv. No. TA-201-73 or to USTR since the initiation of the original section 201 investigation.

Table LONG V-1
Long steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group,

Certain long products		
Hot bar	**Cold bar**	**Rebar**
Number of reporting U.S. producers		
32	15	17
Capital investment		
18	6	7
Increase productivity/production/capacity		
13	3	4
Cost reductions		
12	3	6
No planned adjustments		
2	1	1
Improve product quality		
7	1	3
Increase employee training/employment/employee incentives		
4	1	3
Pay off debt; restructure loans		
4	0	2
Decrease energy costs		
3	1	4
Acquire, build, or expand facility		
2	0	2
Develop new or innovative product lines; broaden product lines		
4	1	0
Relocate, close or sell facility		
3	0	2
Improve customer services		
2	1	2
Research & Development		
1	0	2
Environmental improvements		
3	0	1
Increase employee safety; reduce workers' compensation		
0	0	0
Reduce work force		
1	0	1
Expand geographic reach of current customer base		
0	0	1
New labor contract; reduce labor costs		
0	0	1
All others		
1	0	1
Increase/improve marketing		
0	0	0

Source: *Steel: Investigation No. TA-201-73*, USITC Pub. 3479, December 2001, table LONG-104, p. LONG-102-103, compiled from data submitted in response to Commission questionnaires in that investigation.

Firms were asked to compare their operations before and after the imposition of the relief. Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented at the end of this chapter in table LONG V-4 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented, and if so, the reason(s) why specific adjustment actions have not been implemented. The firms' responses are presented at the end of this chapter in table LONG V-4 (Part A).

Domestic long producers described several factors that hindered their adjustment efforts:[3] the cost of energy and raw materials, predominantly scrap, rising steadily, leading to a decrease in profits;[4] a weak demand for non-residential construction and higher raw material costs;[5] automotive demand being essentially flat; cold-finished bar prices remaining weak;[6] and prices rising only moderately for hot-rolled bar and light shapes, and even less for rebar.[7]

POST-RELIEF EFFORTS

The Commission asked U.S. producers to indicate whether they had undertaken any efforts since the implementation of relief to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:[8]

1. Any efforts which have been made by firms and/or their workers since March 20, 2002, to compete more effectively,

2. The period (month(s) and year(s)) in which the efforts were made,

3. The expenditure or savings involved, as applicable, and

4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

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[3] Posthearing brief of Long Product Producers Coalition at 6 and 8-9.

[4] Testimony of Clyde Selig, Steel Group President and Chief Operating Officer, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 56.

[5] Prehearing brief of Long Product Producers Coalition at 1.

[6] Testimony of Paul J. Darling, II, President and CEO, The Corey Steel Company, transcript of Commission hearing (July 24, 2003) at 75.

[7] Testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 48-49.

[8] Categories on which producers were asked to comment were: investments made; capacity reductions; cost reductions with existing equipment; diversifications/expansions; mergers and consolidations; new products developed or new applications for existing products; organizational changes; changes in production practices; marketing changes in U.S. and foreign markets; employee reductions; changes in pension liabilities, healthcare, and union contracts; and all other efforts made by firms or workers to compete.

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation which indicate that such competitive efforts were undertaken primarily against imports of subject steel. A summary of the types of U.S. producers' reported actual adjustments are presented in table LONG V-2, and the responses of firms are presented at the end of the chapter in table LONG V-4 (Part C).

Since March 2002, several trends have emerged from the domestic long industry. First, there has been substantial restructuring and consolidation. Second, a new competitive labor agreement was negotiated by a major producer. Finally, several companies have invested in new technologies and made capital improvements.

Established producers of long products have spent more than $700 million to acquire assets from other producers.[9] Nucor became the largest long steel producer in the United States after it purchased Birmingham Steel (December 2002) and North Star Steel's Kingman, AZ, rebar facility (March 2003). By acquiring Birmingham, Nucor acquired 2 million tons of hot-rolled bar and rebar capacity, but declined to bring back online another 1.5 million tons of Birmingham's capacity.[10] The North Star facility currently remains closed.[11] Nucor states that it has enhanced its product mix and geographic range, and is in the process of optimizing integration of its new operations, including implementing new management systems, developing on-line ordering capabilities, and coordinating sales, marketing and production.[12] Nucor also states that, after acquiring Birmingham, it was able to reduce overhead costs by eliminating Birmingham corporate employees with virtually no increase in personnel at its corporate office.[13] Republic, the largest supplier of SBQ bar, restructured and emerged from bankruptcy with 1 million tons of hot bar capacity eliminated.[14] Republic has also closed five of its eight cold-finished bar plants, three of which have been permanently shuttered.[15] Republic entered into a new competitive labor agreement with its steelworkers (who are represented by the United Steelworkers of America) that included significant changes to work rules and incentive plans.[16] The North American operations of Gerdau combined with Co-Steel, Courtice Steel, and MRM Steel to form Gerdau Ameristeel in October 2002, making it the second largest minimill producer in North America. Gerdau Ameristeel acquired a

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[9] Testimony of Charles H. Blum, U.S. Representative, European Confederation of Iron and Steel Industries (EUROFER), transcript of Commission hearing (July 24, 2003) at 200.

[10] Testimony of Daniel DiMicco, Vice Chairman, President, and Chief Executive Officer, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 43-44.

[11] Nucor's (old North Star) Kingman, AZ, mill has a melt capacity of 650,000 tons which has not operated since January 2000 and a rolling capacity of 500,000 tons which has not operated since March 2003. Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 201- 202.

[12] Testimony of Daniel R. DiMicco, Vice Chairman, President and Chief Executive Officer, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 44.

[13] Testimony of Bob Johns, Director, Marketing, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 106-107. *See also* posthearing brief of Long Products Producers Coalition at 4.

[14] Posthearing brief of Long Product Producers Coalition at 3.

[15] Prehearing brief of Cold Finished Steel Bar Institute at 13.

[16] Testimony of James T. Thielens, Jr., Vice President, Republic Engineered Products, transcript of Commission hearing (July 24, 2003) at 102.

Table LONG V-2
Long steel: U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group

Certain long products		
Hot bar	**Cold bar**	**Rebar**
Number of reporting U.S. producers		
16	17	7
Investments made		
10	13	2
Capacity reductions		
3	5	1
Cost reductions with existing equipment		
6	7	3
Diversifications/expansions		
0	3	1
Mergers and consolidations		
4	2	2
New products developed or new applications for existing equipment		
5	6	3
Organizational changes		
5	6	1
Changes in production practices		
5	7	3
Marketing changes (U.S. and foreign markets)		
3	3	1
Employee reductions		
8	10	4
Changes in pension liabilities, healthcare, and union contracts		
7	7	3
All other efforts made by firm or workers		
4	3	3

Source: Compiled from data submitted in response to Commission questionnaires.

60,000 ton cold finished steel bar facility previously owned by Republic Engineered Products in Cartersville, Georgia.[17] In June 2003, Gerdau Ameristeel completed a massive debt restructuring involving $405 million of senior unsecured notes and $350 million in senior secured notes.[18] Gerdau Ameristeel reports that, as a result of the consolidation, it has expanded product lines, geographic reach, and mill capabilities, and expects at least $35 million in efficiency gains.[19] Steel Dynamics acquired Qualitech and has spent $70 million in new investment to convert it from an SBQ products facility to a merchant bar and shapes and rebar facility.[20] In July 2003, BVV Acquisition announced a merger between a former Republic cold finished bar plant in Beaver Falls, PA and Pittsburgh Tool Steel based in Monaca, PA; the new company, Keystone Profiles Ltd., will concentrate on larger size bars with high tolerances.[21] Kentucky Electric and Calumet, with a combined capacity of 600,000 tons, are two producers that have been shut down and remain closed.[22] Bayou Steel and Slater Steels have filed for protection under the bankruptcy code.

Several domestic producers have made or authorized a number of capital investments. Nucor has committed to investments ranging from $10 million to $100 million at its bar mills, the largest being the total revamp of its Texas melt shop.[23] Nucor has also improved finishing areas in several of its mills. Republic has invested approximately $30 million in its business, primarily to upgrade its Lorain, OH plant to replace an inefficient facility in Massillon, which has now been closed.[24] North Star has installed new rolling mill drivers at its St. Paul facility and has completed the first phase of a caster upgrade there; has installed new burners in the reheat furnace at its Iowa facility and is upgrading the casting machine and has installed oxygen and carbon injectors on the furnace there; and is installing a straightener in its Kentucky facility.[25] Ispat Inland has completed a DRIC system and is completing the installation of a harmonic filtering system and electric furnace billet caster.[26] Corey is in the process of completing an entirely new manufacturing center.[27] CMC is in the process of installing a larger high

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[17] Posthearing brief of Cold Finished Steel Bar Institute at 9.

[18] Testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 49. *See also* posthearing brief of Cold Finished Steel Bar Institute at 4.

[19] Testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 48.

[20] Testimony of Jim Fritsch, Vice President, Strategic Planning, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 154.

[21] Posthearing brief of Cold Finished Steel Bar Institute at 9.

[22] Testimony of Jim Fritsch, Vice President, Strategic Planning, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 154.

[23] Posthearing brief of Cold Finished Bar Institute at 15. *See also* testimony of Bob Johns, Director, Marketing, Nucor Corp., transcript of Commission hearing (July 24, 2003) at 45 & 106.

[24] Testimony of James T. Thielens, Jr., Vice President, Republic Engineered Products, transcript of Commission haring (July 24, 2003) at 102. *See also* posthearing brief of Long Product Producers Coalition at 5.

[25] Testimony of Jon Ruth, President, North Star Steel, transcript of Commission hearing (July 24, 2003) at 136-137. *See also* posthearing brief of Long Products Producers Coalition, 5.

[26] Testimony of Joseph Alvarado, Vice President, Commercial, Ispat North America, transcript of Commission hearing (July 24, 2003) at 105.

[27] Testimony of Paul J. Darling, II, President and CEO, Corey Steel Co., transcript of Commission hearing (July 24, 2003) at 103-104. *See also* posthearing brief of Long Product Producers Coalition, 7.

voltage transformer in its South Carolina plant, and has also made significant investments in its shredders in several of its plants.[28] Timken has invested in capital equipment improvements to ensure high quality and to pursue new products.[29]

Respondent European Confederation of Iron & Steel Industries (EUROFER) argues that the long products industry, which is dominated by minimills, is efficient, profitable, flexible, and competitive.[30] It notes that, since the relief took affect, U.S. producers of all three long products have achieved a strong gain in productivity.[31] It also acknowledges that a significant degree of consolidation has taken place.[32] However, it believes these closures are too few and too temporary, and that potential efforts to restart uneconomic capacity would be counterproductive to the goal of industry competitiveness.[33] EUROFER points to several instances in which currently closed facilities, might be restarted and suggests that permanent closures are the most meaningful.[34] Respondent Corus agrees that there is chronic overcapacity in the hot-rolled and cold-rolled U.S. market.[35] However, respondent Metaldyne has argued that there is not enough bar capacity in the U.S. industry to meet demand.[36]

Domestic producers argue that the industry has seen significant capacity reductions.[37] They also argue that the potential future capacity additions cited by respondents are simply plans that may or may not be implemented.[38] Domestic producers also point to possible "survivor bias" in the Commission's data set; that is, several producers that have ceased operations did not submit data, so the removal of their

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[28] Testimony of Clyde Selig, Steel Group President and Chief Operating Officer, CMC Steel Group, transcript of Commission hearing (July 24, 2003) at 100-101. *See also* posthearing brief of Long Product Producers Coalition, at 9.

[29] Testimony of Michael K. Haidet, Senior Government Affairs Specialist, Trade, The Timken Company, transcript of Commission hearing (July 24, 2003) at 64.

[30] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 195-198. Posthearing brief of EUROFER at 3-4.

[31] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 200.

[32] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing (July 24, 2003) at 200-203. EUROFER states that consolidation is a great long-run benefit to the industry, eliminating hypercompetitiveness, creating larger companies with enhanced financial strength and ability to raise capital, and allowing companies to concentrate production on the most efficient mills.

[33] Posthearing brief of EUROFER at 6-9.

[34] Testimony of Charles H. Blum, U.S. Representative, EUROFER, transcript of Commission hearing of (July 24, 2003) at 204-208. *See also* posthearing brief of EUROFER at 6-10. For example, EUROFER points to potential future restarts of currently idled or shutdown capacity at Calumet, KES, Laclede, and Lemont.

[35] Testimony of Jeff Hoye, President, Corus America, Inc., transcript of Commission hearing (July 24, 2003) at 215.

[36] Post hearing brief of Metaldyne Corp. at 4.

[37] Posthearing brief of Long Products Producers Coalition at 15 and exh. 6; *see also* posthearing brief of Cold Finished Steel Bar Institute at 11-13. The domestic industry cites closures and capacity shutdowns at Kentucky Electric, Calumet, Laclede, Qualitech, Auburn Steel, Ispat Inland, Republic Engineered Products, Birmingham Steel, and North Star Steel.

[38] Posthearing brief of Long Products Producers Coalition at 16.

capacity is not reflected in the Commission's data.[39] Finally, domestic producers assert that, with the recent industry consolidation, available capacity is more cost-effective and efficient.[40]

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) any adjustment plans their firms submitted during the section 201 investigation, (2) the significance of the section 203 relief on their firm's operations, and (3) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table LONG V-4.

At its public hearing, the Commission requested domestic producers to provide information regarding adjustment efforts in a public format, to the extent possible.[41] To the extent that domestic producers complied with this request, the information is presented below, in table LONG V-3.

Table LONG V-3
Long steel: Comments of U.S. producers (public)

Firm/products/comments
Ispat Inland (hot bar)
Ispat was able to proceed with the reline of its No. 7 Blast Furnace, which will be completed in the third quarter of 2003 and improve the company's cost competitiveness. Increased iron output will reduce reliance on higher-priced imported slabs and allow for the shutdown of the less efficient No. 6 blast furnace. Reductions in operating cost per ton through a variety of programs, including increased employee production per ton. Initially, the President's Section 201 program allowed Ispat Inland to raise the price of injected free-machining long products - pioneered by Inland Steel at the start of the 20th century - to a fair and reasonable level. However, the exclusions granted for 12L14 allowed importers to keep their prices at the relatively low levels existing prior to Section 201 relief. For that reason, Ispat Inland's 12L14 production and sales were severely limited during the past twelve months. Because exclusions for 12L14, one of Ispat Inland's most profitable product lines, was granted, Ispat Inland has struggled to earn sufficient return on investment to generate capital to modernize facilities and equipment. Ispat Inland has also been unable to fund research and development activities for products that would increase customer efficiency and company profits. Although Ispat Inland idled its 21" bar mill at the end of 2001, the Bar Division has continued to compete in the high-end bloom-cast leaded bar and free-machining bar markets by importing bloom-cast billets from its sister company.

Source: Compiled from posthearing briefs.

Table LONG V-4
Long steel: Comments of U.S. producers (confidential)

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[39] Id. at exh. 6.

[40] *E.g.*, testimony of Robert Muhlhan, Vice President, Material Procurement, Gerdau Ameristeel Corp., transcript of Commission hearing (July 24, 2003) at 152-153; Testimony of Jim Fritsch, Vice President, Strategic Planning, CMC Steel Group, *id*. at 153-155.

[41] *See* requests of Chairman Okun and Commissioner Koplan, transcript of Commission hearing (July 24, 2003) at 102 and 140